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THE ASIA FOUNDATION: PAST, PRESENT, AND FUTURE

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LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., January 6, 1983.

To the Members of the Committee on Foreign Relations:

As you will recall, funding for The Asia Foundation has been a problem for at least the last three fiscal years during which the Administration has not included a core grant to support the Foundation in the President's budget. In all three years, the Congress has nevertheless provided support while urging the Executive Branch to seek a long range solution to the problem. Such a solution has not as yet been forthcoming. Therefore, a number of Members of the Committee joined with me in asking the Congressional Research Service to prepare a study which would provide the necessary background for our consideration. The study is attached for your information.

Sincerely,

CHARLES H. PERCY.

Attachment.

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., June 30, 1982.

Hon. GILBERT GUDE,
Director, Congressional Research Service,
Library of Congress, Washington, D.C.

DEAR GIL: As you may recall, funding for The Asia Foundation has been a problem for at least the last three fiscal years. Two Administrations, faced with budgetary problems, have seen fit to delete the core grant recommended by the State Department for the Foundation from the President's budget. Aided by broad bipartisan support in both Houses, the Congress has restored modest funding for the Foundation to the budget each year. During the debate on The Asia Foundation for fiscal year 1983, we pledged that the Committee would undertake a series of hearings early in the 98th Congress aimed at providing for the Foundation for the long range.

In preparation for these hearings, which we would hope to hold next January or February, we would like to ask the Congressional Research Service to study The Asia Foundation with the objective of assessing its worth or utility in the achievement of U.S. foreign policy objectives. In addition, we would like CRS to study alternative relationships with the U.S. Government and alternative sources of funding. We understand that CRS does not undertake investigative analyses and that your comments will be based primarily on the views of others.

We would envision your report to the Committee being used as the primary background source for the Committee's hearing. It would

thus be published as a part of the Committee's proceedings. We understand that the Committee staff and your staff have had preliminary discussions on this subject and therefore hope that the guidance above meets with your approval. We would like to have the study by December 15, 1982, if this is convenient to you.

CHARLES H. PERCY,
Chairman.
CLAIBORNE PELL,
Ranking Minority Member.
S. I. HAYAKAWA,
Chairman, Subcommittee on East Asian and Pacific Affairs.
JOHN GLENN,
Ranking Minority Member, Subcommittee on East Asian and Pacific Affairs.
RUDY BOSCHWITZ,
Chairman, Subcommittee on Near Eastern and South Asian Affairs.
PAUL S. SARBANES,
Ranking Minority Member, Subcommittee on Near Eastern and South Asian Affairs.

LETTER OF SUBMITTAL

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, D.C., January 3, 1983.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request, I am submitting a report on The Asia Foundation.

The report examines the origins, programs, and past and present funding problems of the Foundation. In addition, it reviews a number of studies and other reports prepared in recent years by various U.S. agencies and by the Foundation itself. The history of funding problems that developed after 1979 is discussed in some detail, drawing heavily on the legislative record.

The report then surveys a number of assessments of the utility of The Asia Foundation to the achievement of U.S. foreign policy goals in Asia. It concludes with an examination of various alternative proposals for funding the Foundation.

The report was written by Dr. Joel M. Woldman, Specialist in U.S. Foreign Policy in the Foreign Affairs and National Defense Division.

We hope that this study will serve the needs of your committee as well as those of other committees and Members of Congress concerned with the question of the future of The Asia Foundation.

Sincerely,

GILBERT GUDE, *Director.*

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THE ASIA FOUNDATION: PAST, PRESENT, AND FUTURE

I. Issue Definition

The funding of the programs of The Asia Foundation (TAF) has become a topic of considerable debate in recent years. The Foundation was originally a creation of the executive branch intended to promote U.S. foreign policy interests in the region. Nevertheless, it has always been, and remains a private foundation—albeit with considerable financial support from the U.S. Government. Because of this dual character, it is called a "quasi-nongovernmental organization." At issue is whether governmental funding should continue; and, if so, how Congress can insure that adequate funds will be available.

Decisions as to its future have increasingly been made by Congress, especially since its major funding base—the source of the general grant which is the core of its budget—in the government was shifted in 1981 from the Agency for International Development (AID) to the Department of State. This change coincides with the surfacing of apparent disagreement, or at least differing views within the executive branch, as to whether or not TAF should continue to be funded in large part by and be accorded a permanent statutory relationship with the U.S. Government.

The discussion below provides background on the activities and funding of the Foundation; assesses its value in achieving U.S. foreign policy objectives; and lays out alternative means of financial support.

II. Background

The Asia Foundation's origins can be traced to the establishment of an ostensibly private body, "The Committee for Free Asia," in 1951, sanctioned by the National Security Council, and, with the knowledge of congressional oversight committees, supported with covert indirect CIA funding. The Committee had been created to help find ways to maintain and expand private U.S. contact and communication with the peoples of Asia following the establishment of Communist regimes in China and North Korea. The emphasis was on a private instrumentality that would be privately governed and would have the freedom and flexibility to do things the Government would like to see done but which it chose not to do or could not do directly as well. This continues to be the basic rationale for The Asia Foundation.

The Committee was renamed The Asia Foundation and incorporated in California as a non-profit tax-exempt organization governed by a board of trustees of private American citizens in 1954. The Foundation was funded from its inception through trusts and other foundations which in turn were funded by the CIA. Its activities were not,

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however, used for covert intelligence operations. They were open and, in some cases, subject to the review and prior approval of host governments.

The Foundation subsequently established offices and/or program activities in a number of Asian countries. These have included at various times India, Afghanistan, Burma, Pakistan (and, after 1971, Bangladesh), Ceylon (renamed Sri Lanka after 1972), Maldives, Nepal, Thailand, South Vietnam, Laos, Cambodia, Malaysia, Singapore, Indonesia, the Philippines, the Pacific Islands, Japan, Korea, Hong Kong, Taiwan, and the People's Republic of China.

OPEN GOVERNMENT FUNDING BEGINS

In 1967 it was publicly revealed for the first time that The Asia Foundation had been receiving the major part of its funding since its inception through trusts and other foundations which in turn were funded by the Central Intelligence Agency (CIA). Despite this revelation, it is generally agreed that the reaction of most host governments remained and is still positive. The one exception was India, which insisted that the TAF representative close the office and leave the country; the Foundation never has resumed operations there. Program operations also were terminated for other reasons in Burma in 1962, in Ceylon in 1970 (although they subsequently have been resumed), in Laos, Cambodia, and South Vietnam in 1975, and in Afghanistan following the Soviet invasion of 1980.

Following the disclosure of the CIA relationship, President Lyndon Johnson directed that all such covert funding be terminated. Subsequently, a commission appointed by the President and chaired by Secretary of State Dean Rusk concluded that it would be in the national interest to preserve The Asia Foundation. The State Department was asked by the White House in 1968 to find an overt means of USG funding for TAF until a new and more permanent funding mechanism was established. It accomplished this by making yearly general support grants through the U.S. Agency for International Development (AID) and the State Department's Bureau of Educational and Cultural Affairs (CU). Both AID and CU regarded these arrangements as temporary and, in fact, the amount of the grants remained relatively static even as TAF costs rose because of continuing inflationary pressures.

The Nixon administration reaffirmed the importance of TAF to U.S. interests in Asia and continued the temporary arrangements described above. As a result of the heavy dependence on AID as a source of Government funding and the congressionally mandated change in AID's program emphasis in 1973 known as "New Directions," TAF programs had to be reoriented toward AID's objective of aiding the "poorest of the poor," rather than the previously stated goals of building democratic institutions and encouraging the development of democratic leadership.

THE CANHAM PANEL

In 1975 The Asia Foundation trustees requested that the U.S. Government review the situation and decide whether or not it wanted the TAF program to continue. In response, the State Department and AID appointed a panel of private citizens with foreign affairs expe-

rience to review and evaluate TAF's record and potential for assisting in the achievement of U.S. objectives in Asia. The panel was chaired by Edwin Canham, editor emeritus of the Christian Science Monitor. Other panel members included retired U.S. Ambassadors Samuel Berger and Leland Barrows, and James Clark of the Chase Manhattan Bank.

The Canham panel, as it was known, concluded that:

> The Asia Foundation is an effective instrument for the furthering of United States interests in Asia. It is well managed, has a body of competent and experienced personnel, is widely established and well-regarded in Asia, and has demonstrated the ability to use a limited amount of money to reach a wide range of individuals and institutions beyond the reach of official U.S. representatives and programs. The Foundation has shown itself to be sensitive and responsive to local needs and priorities, and is innovative and expeditious in the administration of the small projects which largely compose its program. By its example and by the projects it supports, it is an effective proponent of pluralism and democratic social and political values. It makes efficient use of the USG funds which provide most of its financing. In brief, the Panel has concluded that the policy of providing government funds to this privately managed foundation is wise and sound, fully justified by law and should be continued. [1]

In addition, the panel concluded that the Foundation could best serve the purposes for which it had been established by remaining a private body, but that a memorandum of understanding should be drafted which would lay out clearly its status and relationship with the U.S. Government. The panel also recommended that its funding be raised to a constant dollar level of $10 million. Commenting on difficulties the Foundation had experienced since 1967, the panel recommended that responsibility for Government policy toward TAF be centralized in order to resolve the diffusion of responsibility that had developed between AID and State.

The Canham report was submitted close to the end of the Ford Presidency; action on its recommendations was deferred to the new Carter administration. The TAF trustees then met with Secretary of State Cyrus Vance and Deputy Secretary Warren Christopher, who initiated an interagency review. This review concluded in October 1977 that the previous funding arrangement should continue, although at substantially higher levels, and that the Foundation should remain a private body.

As AID's geographical and programmatical scope became increasingly restricted by law during the Carter administration, and since AID was the major source of TAF's general (USG) grant, the Foundation came to feel that its earlier freedom, flexibility, and ability to respond quickly to opportunities falling outside AID's mandate, had grown limited. In addition, contrary to the October 1977 recommendations, the funding was not substantially increased, yet costs continued to rise.

This situation persisted until 1979 when the Office of Management and Budget (OMB) directed the State Department to take over from

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[1] Quoted in The Asia Foundation, Trustees' Discussion Paper on the Foundation's Future Status and Funding [prepared for the consideration of the Department of State, Sept. 21, 1981], p. 6. This report is attached as appendix A of this study, see p. 19.

AID the responsibility for providing the Asia Foundation with its basic general support (core grant). OMB had done this at the recommendation of AID on the grounds that AID's changed mandate restricted the Foundation from carrying out its mission, and TAF's purposes were more compatible with the State Department's foreign policy objectives than with AID's new basic human needs strategy. Presumably this also responded to the Canham panel recommendation that responsibility for Government policy toward the Foundation be centralized.

CONTROVERSY OVER GOVERNMENT FUNDING DEVELOPS

Both AID and State under the Carter administration allegedly agreed to this change, but with the understanding that the budget authority for this function also would be transferred. An Asia Foundation document quotes then Under Secretary of State David Newsom to the effect that

> The Department had made clear . . . that funding for the Foundation would have to be additional to the Department's ceiling since it effectively represented a transfer of budget authority from AID and it could not be reasonably expected that the Department eliminate existing functions in order to implement the transfer.[2]

Nevertheless, OMB subsequently directed the State Department to make offsetting cuts in its own budget if it wished to fund the Foundation.

When OMB officials in the International Affairs Division were questioned on this point by CRS on September 20, 1982, they responded that since AID's appropriation fluctuates so widely each year, it would have been difficult to isolate The Asia Foundation budget authority, in order to permanently transfer it to the State Department. Other observers have disputed this rationale. The OMB officials also commented that The Asia Foundation grant had not generated any controversy previously because it had been almost "lost" in AID's substantial budget authority, whereas moving it to the State Department had focused sharper attention on it and its place in the larger scheme of things, in a much smaller departmental budget. They saw this as one of the reasons for subsequent funding problems.

OMB refused to reverse its decision and insisted that the Foundation grant could only be included in the State Department budget at the expense of other State functions. As a result, funding for TAF was omitted from the final version of the President's budget request for fiscal year 1981 (submitted in early 1980).

Congress disagreed with this step, so it added funds for the Foundation to the State Department appropriation for fiscal year 1981. Since the President vetoed the original version of that bill, the State Department, and, by extension, The Asia Foundation, was funded through a Continuing Resolution (House Joint Resolution 644[o] of December 15, 1980); the legislation contained no description or guidance on how the $4.1 million appropriated for TAF was to be expended. One year later, on December 15, 1981, a second Continuing Resolution (House Joint Resolution 370) authorized The Asia

[2] Ibid., p. 8.

Foundation to continue to spend funds in fiscal year 1982 at the rate of $4.1 million annually, although it had not been included in the administration's budget request.

In January 1981, the State Department wrote Senator Charles Percy (the incoming chairman of the Senate Foreign Relations Committee), that "The Asia Foundation is included as a $4.256 million item in the President's fiscal year 1982 budget request," and stated the view that The Asia Foundation remained "a significant U.S. asset in the foreign policy area." But OMB, after reviewing the outgoing Carter administration budget, decided to eliminate the funds requested for TAF, and the budget request actually sent to Congress did not include any funds for the Foundation.

OMB claimed that, in fact, the Management Office (M) of the Department of State (by then headed by a Reagan appointee) had made this decision after reviewing its various programs and rank ordering them for budgetary purposes. The reported result of this ranking placed The Asia Foundation at the very bottom of the list.

The geographic bureaus that would be most directly affected by an end to TAF programs, East Asia (EA) and Near East and South Asia (NEA), reportedly appealed the decision by State's Management Office to eliminate the Foundation from its list of program activities, but the decision of Under Secretary for Management Richard T. Kennedy prevailed. In CRS discussions with the Office of Management and Budget, this decision and the fact that it was not overruled were cited as a clear indication that the Secretary of State—and, by implication, the President—did not think that The Asia Foundation was making a sufficient contribution to the achievement of U.S. foreign policy objectives to justify the continuation of its funding at the expense of other State Department functions.[3] If it had to choose between funding, for example, 45 additional consular positions and The Asia Foundation, Department of State management would opt for the former.

During the Foreign Relations Committee hearings on the fiscal year 1982 State Department authorization held March 27, 1981, Senators Percy and Mathias noted the absence of funds for the Foundation in the Department's revised request for funds.[4] Senator Percy observed in this connection that the Department's own *Budget in Brief* background document for the fiscal year 1982 budget request called The Asia Foundation "an organization which serves broad, long-term American interests in Asia and the Pacific Ocean area."[5]

Under Secretary Kennedy, testifying for the State Department, agreed that TAF made an important contribution but called his decision not to fund it "a question of priorities" taken because "the Secretary believed the [State] Department had a contribution to make" to President Reagan's effort to reinvigorate the economy.[6] Commenting further on The Asia Foundation, Kennedy remarked that in examining the Foundation's activities, the Department decided that such activities would normally fall under programs of the International

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[3] This interpretation may be an overstatement, since, as will be discussed below, it was not clear what opinion the White House had formed on whether or not to continue U.S. Government funding via the State Department for the Foundation.

[4] U.S. Congress. Senate. Committee on Foreign Relations. Foreign Relations Authorization Act. Hearing held March 27, 1981. Washington, U.S. Government Printing Office, 1981. p. 25.

[5] Ibid.

[6] Ibid.

Communication Agency (renamed the U.S. Information Agency or USIA in 1982) or the Agency for International Development, and that it therefore, "as to the Department's budget, was a matter which had a lower priority, and it just fell out for that reason." [7] *Inter alia*, he noted that many other Department activities were "in the nature of national security," and were therefore appropriately "essentially exempt from consideration for reductions." [8] The implication that Asia Foundation programs had no "national security" function could be taken as the Department's unstated rationale for denying them funding.

Kennedy said that he had subsequently discussed the matter with the Administrator of AID, who told him that AID could provide at least half of the Foundation grant from its funds. Yet subsequent inquiries by the Senate Foreign Relations Committee staff did not confirm AID's agreement to fund any of the Foundation grant, nor that any decision had been reached in the administration to direct AID to do so.

Following up on that point, Senator Charles Mathias reminded Kennedy that the Foreign Operations Subcommittee of the Senate Appropriations Committee had already made a judgment that TAF funding belonged in the State Department budget. Both he and Senator Percy spoke positively of the contribution made by the Foundation and voiced the hope that Kennedy would take a second look at finding the $4.5 million for the Foundation within the Department budget.

CONGRESSS SEEKS PERMANENT SOLUTION

The majority of members of the Foreign Relations Committee apparently did not share the Reagan administration's views of the relative importance and usefulness of The Asia Foundation and its appropriate institutional link within the executive branch. In the case of both fiscal year 1982 and fiscal year 1983 authorizations, on May 15, 1981, the committee reported out sections authorizing grants of $4.5 million for the Foundation, but with the stipulation that the Department of State in coordination with the trustees of The Asia Foundation should develop and submit recommendations on the Foundation's future to Congress by December 1, 1981.[9]

The House version of the legislation did not provide an authorization for funding The Asia Foundation. However, the conference committee that considered the State Department Authorization Act for fiscal years 1982 and 1983 agreed to include the provision. In its report of August 3, 1982, the conference committee stressed that this earmarking of funds was intended to be only a stopgap measure, and stated its "strong consensus" that "a more permanent funding structure was required for The Asia Foundation in the future." [10]

Noting that a study of the issue [11] had been submitted to the House

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[7] Ibid., p. 26.
[8] Ibid.
[9] U.S. Congress. Senate. Committee on Foreign Relations. Report on S. 1193, to authorize appropriations for the Department of State, the International Communication Agency, the Board for International Broadcasting and the Arms Control and Disarmament Agency for fiscal years 1982 and 1983. Report No. 97–71. Washington, U.S. Government Printing Office, 1981. pp. 21–22.
[10] U.S. Congress. House. Conference report authorizing appropriations for fiscal years 1982 and 1983 for the Department of State, the United States Information Agency, and the Board for International Broadcasting. Report No. 97–693. Washington, U.S. Government Printing Office, 1982. p. 36.
[11] This report is discussed in some detail in part III of this study.

Foreign Affairs and Senate Foreign Relations Committee, the conference report included a possible solution—"that, beginning in fiscal year 1984, funds for The Asia Foundation be requested as a separate line item within the Department of State budget and not through *funds designated for operational or program expenses of the Department.*" [12] The committee also suggested as an alternative that the TAF budget be handled as a separate item, similar to the Inter-American Foundation.[13] Whatever solution was found, the report indicated that the conference committee "expects a resolution of this problem by the time the fiscal year 1984 budget is submitted." [14]

Both the House and Senate Appropriations Committee, in considering appropriations for the State Department for fiscal year 1983, recommended funding for The Asia Foundation. Although both committees' reports on the relevant legislation used similar language, the House committee recommended only $2 million, less than half the $4.1 million TAF appropriation thus far enacted (in a continuing resolution) for fiscal year 1982. The House committee observed that it was recommending such an appropriation even though the administration had not requested it "since there is support for continuing U.S. Government funding for the program." [15] The Senate committee, which filed its report nearly 6 weeks later, on September 24, 1982, noted the amount of the House allowance, yet recommended an appropriation of $4,500,000—an increase of $400,000 over the 1982 appropriation [16] and the same amount authorized by the Senate. The Senate Appropriations Committee apparently had not yet seen a copy of the August 5, 1982 State Department report discussed below. That committee directed the Department of State to present a similar report on "the role of The Asia Foundation, its future, and recommendations for funding when the Department submits its budget to the Congress for fiscal year 1984." [17]

STATE DEPARTMENT DRAFT REPORT TO CONGRESS (MAY 13, 1982)

One of the most comprehensive reviews of The Asia Foundation's past, present, and future was a report for Congress submitted to OMB for approval by the State Department, dated May 13, 1982. This draft report was intended to respond to the request by the Senate Foreign Relations Committee contained in the committee's report (No. 97–71) on the Foreign Relations Authorization Act for Fical Years 1982 and 1983. The committee report requested that the State Department, in coordination with the trustees of the Foundation, submit recommendations on the future of the Foundation by December 1, 1981.

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[12] Conference report No. 97–693. p. 36.

[13] The Inter-American Foundation is a Government corporation with a small Washington-based staff which provides grants for small-scale self-help development projects to indigenous non-governmental organizations in Latin America and the Caribbean. It has no field staff.

[14] Ibid.

[15] U.S. Congress. House. Committee on Appropriations. Report [to acompany H.R. 6957] Making Appropriations for the Departments of Commerce. Justice, and State. the Related Agencies for the Fiscal Year 1983, Report No. 97–721. Washington. U.S. Government Printing Office. 1982. p. 53.

[16] U.S. Congress. Senate. Committee on Appropriations. Report [to accompany S. 2956] making appropriations for the Departments of Commerce, Justice, and State. the Judiciary. and related agencies for the fiscal year ending September 30, 1983 . . . Report No. 97–584. Washington, U.S. Government Printing Office, 1982. p. 58.

[17] Ibid.

The draft report appeared to be comprehensive, based on the Canham panel study, as well as the current "views of American Ambassadors, AID mission directors and ICA [USIA] officers in Asia." [18] It was prepared with the assistance of The Asia Foundation trustees and includes their comments as an attachment.

The draft report proper, barely five single-spaced typed pages long, concluded that

> . . . the Foundation's commitment to strengthening Asian indigenous institutions which promote stable political development, constructive social change, equitable economic growth and cooperative international relationships is fully consistent with U.S. policy. . . . TAF has directly furthered the goals and objectives of the USG's human rights policies through its long continuing work in fostering democratic institutions, strengthening the rule of law, improving the administration of justice and access to the courts. As a low-key proponent of democratic ideals and institutions in Asia, TAF has been and continues to be a major supporter of indigenous efforts which have the acquiescence of Asian host governments. TAF's positive approach toward encouraging civil liberties and promoting political freedom is a distinctive and valued asset to USG official efforts, accomplishing as a private organization what a government could not do.[19]

As an example of what TAF was uniquely equipped to do, the draft commented favorably on the Foundation's ability to respond quickly to new opportunities as evidenced by the speed with which TAF initiated a program in the People's Republic of China. Acknowledging that a program the Foundation established for training mid-level officials of the PRC Ministries of Foreign Affairs and Foreign Trade in the United States could not have been implemented by the U.S. Government, the draft observed that "adequate resources" would permit TAF to expand such programs, and that such opportunities "could not be realized without an organization such as The Asia Foundation." [20]

Approximately four more pages of superlative assessments of the Foundation's distinctive programs, unique qualities, historic contribution to the achievement of U.S. foreign policy objectives, and what could be lost if its activities should have to be terminated, followed. Yet the draft report ended with the following two paragraphs:

> However, notwithstanding the above view of the value of The Asia Foundation's contributions, the Budget Review Board decided on March 29 [1982] that there would be no request for funds for fiscal year 1983 because of budget stringencies and the relatively lower priority of The Asian Foundation for a claim on the resources within the Department's budget.
>
> The Trustees of The Asia Foundation, with whom the Department of State has been coordinating on the report, concur in the appraisal of The Asia Foundation, but find the March 29 decision on funding inconsistent with the appraisal. Their views are contained in an attachment to this report.[21]

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[18] [Draft] Report on the future The Asia Foundation [letter from Powell A. Moore, Assistant Secretary of State for Congressional Relations to Senator Charles Percy, Chairman, Senate Foreign Relations Committee], dated May 13, 1982. p. 1.
[19] Ibid., pp. 1–2.
[20] Ibid., p. 2.
[21] Ibid., p. 5.

According to the TAF Board of Trustees' appended comments, an earlier version of the report, cleared by all concerned State Department bureaus, the Under Secretary of State for Management, and the Deputy Secretary had been sent to the Office of Management and Budget on March 11, 1982. That version, a copy of which has been provided to CRS, ended rather differently. Instead of denying funding for The Asia Foundation, it ended with the unqualified conclusion

> that the Foundation has a future, that its continued existence is in the national interest, that the continuation of public support for its general operations is the essential ingredient of that continuation, and that the primary present requirement is to establish a permanent structure for providing that support. It is appropriate that such a structure be placed under the aegis of the Secretary of State, the principal officer of the Executive Branch with overall responsibility for the foreign relations of the United States.[22]

The earlier version of the report then recommended that the U.S. Government continue to supply The Asia Foundation with "annual basic financial support sufficient to enable it to carry out its purposes in a cost-efficient manner;" [23] that funds "be considered separate from and in addition to the funds made available to the Department of State for its own operations and budgetary needs;" [24] and that Congress enact a separate section of the Miscellaneous Provisions Title of of the Fiscal Year 1983 Foreign Relations Authorization Act "providing an on-going basis for grant support for the Foundation through the Secretary of State." [25]

But this version was changed after the Budget Review Board, the Reagan administration's most senior consultative body on budgetary matters, composed of Presidential advisors Edwin Meese, James Baker, and Michael Deaver, met and, in effect, overruled the Department of State. In a possible scenario supplied to CRS by a knowledgeable official of the Office of Management and Budget, the Budget Review Board probably first ascertained that the senior State Department officer present—either the Secretary or the Deputy Secretary—indeed subscribed to the position that The Asia Foundation was worthy of support.[26] But when asked if he would be willing to curtail some other State Department function in order to fund the Foundation grant, however, the State Department official presumably said no. In other words, the Budget Review Board refused to accept the recommendation in the original State Department-cleared version of the report to Congress that funds be made available to The Asia Foundation in addition to those needed for regular State Department operations.

It is difficult to assess why the Budget Review Board took this position, particularly because—if we accept the assertion made in the Board of Trustees' comments on the draft report sent to OMB—"the basic positions set forth in the [pre-Budget Review Board version of the] Report were based on policy decisions taken by [National Secu-

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[22] Original version of the State Department's report on The Asia Foundation sent to the Office of Management and Budget on March 11, 1982.
[23] Ibid., p. 5.
[24] Ibid., p. 6.
[25] Ibid.
[26] This information was obtained during a telephone conversation between CRS and the OMB official on December 16, 1982.

rity Advisor] Judge [William P.] Clark last December and reaffirmed by [Deputy Secretary of State] Ambassador Stoessel earlier this year." [27]

It may be that the Budget Review Board expected that Congress would authorize the funds anyway, as they had done since 1981, and that such a move would place the onus on Congress for "budget-busting." On the other hand, they and the State Department official present may have genuinely felt that, in the larger scheme of things, the continuation of Government funding for the Asia Foundation *was* less important than, for example, 45 additional consular positions for the Department; that these added Government officials, for example, might contribute more toward the achievement of U.S. foreign policy objectives than the more esoteric programs of the Foundation. Or, as is often the case, it may have been a combination of the two.

OMB-APPROVED REPORT SENT TO CONGRESS (AUGUST 5, 1982) [28]

The inconsistency between the body of the May 13, 1982, draft report and its two concluding paragraphs was readily apparent. OMB therefore returned the draft to the State Department with instructions to revise the submission into a more coherent document. After some months, the State Department returned a new, much shorter draft message to OMB which presumably met its requirements.

The new approved report was sent to Senator Charles H. Percy, chairman of the Foreign Relations Committee, on August 5, 1982. One and one-third pages long, the report noted "the general view that The Asia Foundation has made significant contributions to U.S. foreign policy objectives . . . ." [29] It also observed that the Foundation could not continue functioning without the U.S. Government grant.

Yet like the May 13, 1982, draft, the report concluded that budget stringencies and the relatively lower priority of TAF's claim on State Department resources resulted in a Department decision not to request funds for the Foundation:

> The programs and operations for which the Department is requesting funding for fiscal year 1983 reflect only those amounts needed to meet fundamental requirements and must take precedence over those of The Asia Foundation.[30]

Unlike the May 13, 1982, draft, the final version of the report did not include any comments by the TAF Board of Trustees. The report concluded with the observation that it "had not met with the approval of the trustees of The Asia Foundation, who will be sending their views separately to the Congress."

In a "Report to the Congress of the United States," dated August 9, 1982, the trustees echoed their reaction to the May 13, 1982, draft report.[31] They restated their conviction that a permanent basis for Gov-

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[27] [Draft] State Department Report to Congress on the Future of The Asia Foundation (May 13, 1982), Trustee Comments [Attachment], p .1.

[28] U.S. Department of State. Letter from Powell A. Moore, Assistant Secretary of State for Congressional Relations, to The Honorable Charles H. Percy, Chairman, Senate Committee on Foreign Relations, August 5, 1982. A copy of this letter and the separate comments of the TAF Board of Trustees are included as Appendix B of this study.

[29] Ibid., p. 1.

[30] Ibid., pp. 1–2.

[31] The Asia Foundation. Board of Trustees. A Report to the Congress of the United States by the trustees of The Asia Foundation. August 9, 1982. 13 p.

ernment funding for the Foundation was required. They also expressed the hope that the Congress would enact a 5-year authorization with adequate funding levels to permit TAF to continue its programs.

RECENT DEVELOPMENTS

Certain developments have occurred since this study was requested by the Senate Foreign Relations Committee that may have a significant impact on the future situation of The Asia Foundation. They relate to an address delivered by President Reagan to the British Parliament on June 8, 1982, during the course of which he said:

> The objective I propose is quite simple to state; to foster the infrastructure of democracy, the system of a free press, unions, political parties, universities, which allows a people to choose their own way to develop their own culture, to reconcile their own differences through peaceful means. . . . It is time that we committed ourselves as a nation—in both the public and the private sector—to assisting democratic development.[32]

CRS has learned that the administration has apparently now decided that The Asia Foundation's traditional (pre-AID) program mix fits in well with the President's stated objective of building the infrastructure of democracy in Asia. In August 1982, The Asia Foundation was asked at very short notice to develop and present a program to the State Department that would support the President's goal. Accordingly, the Foundation prepared a 21-page "Proposed Program for Strengthening the Infrastructure of Democracy in Asia and the Pacific in Response to President Reagan's Call for Action in his June 1982 Address to the British Parliament."

The Foundation was advised to develop a program at the $5 million level, presumably in addition to its ongoing programs funded at the $4.5 million level through the State Department general grant. Its current budget level—for fiscal year 1981—is $6,717,304, but this also includes private contributions in cash. As the Foundation observed in its proposal:

> At the present time, available and anticipated funds for fiscal year 1983 are obligated or committed to ongoing or planned activities. With an additional $5 million, however, the Foundation, the lone American grant-making foundation in most of Asia, could undertake without delay, and with minimum added administrative expenses, an Asia-wide coordinated, highly targeted, low-key campaign in support of the President's call for action.[33]

This brings us to the present. A number of observers have pointed out that the Foundation has been required to devote a great deal of its senior management time during the past 3 years to efforts at solving recurring funding crises. The State Department Inspector General's Audit Report of May 1982 made that point, as well as the observation that "the problem of funding stabilization has precluded a focus on long term policy planning, either for TAF or for TAF's role in fulfilling U.S. policy goals in Asia." [34]

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[32] Address by President Ronald Reagan to Members of the British Parliament in the Royal Gallery of the Palace of Westminster, June 8, 1982.
[33] Asia Foundation Proposed Program for Strengthening the Infrastructure of Democracy in Asia, August 1982.
[34] State Department Audit Report, p. 3.

III. Assessments of The Asia Foundation

CURRENT ACTIVITIES

TAF program emphases are currently changing as it adjusts its focus from AID-related activities back to its original objectives of strengthening democratic institutions, especially those pertaining to law and the judiciary, the protection of individual rights, and training for public service in Asia.

Asia Foundation programs are currently conducted through 10 field offices: Sri Lanka/Maldives, Pakistan, Bangladesh/Nepal, Thailand, Malaysia/Singapore, Indonesia, the Philippines, Japan, Korea, and Taiwan. A resident American citizen TAF Representative familiar with the host country and often fluent in the local language is stationed at each of these posts, where he or she is assisted by an experienced indigenous staff; the larger programs sometimes also have one or two U.S. nationals as Assistant Representatives. Over the course of the past 30 years, the Foundation has developed its own mini-"Foreign Service" of Asian experts who serve both overseas and at headquarters in San Francisco.[35] The San Francisco office also administers TAF programs in the People's Republic of China, Hong Kong, and the Pacific Islands. In addition, the Foundation maintains a permanent office in Washington for liaison with the U.S. Government.

LINKS TO THE U.S. GOVERNMENT

TAF Representatives discuss their program plans each year with U.S. Embassy officials before sending planning documents to the Foundation headquarters in San Francisco. In addition, Foundation officers and some members of the Board of Trustees meet periodically in Washington with the relevant Assistant Secretaries of State for discussions on U.S. foreign policy interests and priorities in Asia. The Foundation's resident representative in Washington also maintains frequent contact with desk officers and regional bureau representatives.

ASIA FOUNDATION PROGRAMS

TAF programs center around making grants to hundreds of Asian individuals and institutions each year, often in response to Asian requests for assistance with projects which they initiate and to which they sometimes provide matching inputs.[36]

The Foundation also handles training and study placement of grantees in the United States:

—acts as co-sponsor and organizer of Asian seminars and conferences;

—recruits consultants and advisors for indigenous projects in Asia when requested;

—arranges contacts and ongoing relationships between the American educational, voluntary, and business sectors and their Asian counterparts;

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[35] The home office staff currently numbers 47, 24 of whom provide program management services. There is a total of 98 employees abroad, comprising 19 direct-hire and contract Americans and 79 foreign nationals.

[36] For a more detailed description of current TAF programs, see The Asian Foundation, The President's Review [The Asia Foundation Annual Report], 1981, pp. 15–61.

—distributes more American books and professional journals to Asia (currently over 600,000 volumes annually) through its Books for Asia program than any other single public or private U.S. effort.

FOUNDATION GOALS

The long-range goals adopted by the trustees of the Foundation to guide its work are:

—To strengthen Asian indigenous institutions which contribute to stable political development, equitable economic growth and cooperative regional and international relationships.

—To encourage constructive social change in Asia and to support the growth of more open and just societies concerned with the rights and opportunities of individuals, their basic human needs, and broader popular participation in local and national affairs.

—To assist in the growth and development of contemporary Asian leadership by offering encouragement and help to promising leaders in government services, the professions, and in the private economic, voluntary and traditional sectors of Asian societies.

—To foster attitudes and policies within Asia which contribute to a better environment for the growth of mutually beneficial economic relationships, foreign investment and world trade.

—To further Asian-American cooperation, understanding, and mutual respect through improved communication, the exchange of persons and ideas, the transfer of knowledge and technology, and through sharing of cultural experience and achievements.[37]

DOES THE ASIA FOUNDATION PLAY A USEFUL ROLE?

A survey by CRS of past reviews of the Foundation's successes, usefulness, and appraisals of its potential, along with discussions with persons knowledgeable about the range and effectiveness of TAF programs disclosed a generally positive appraisal of these programs on a number of counts.

The only negative responses were of three kinds:

(1) Broad generalizations casting doubts about the type of programs carried out by the Foundation (but also relating to cultural and educational programs operated by such Government institutions as the U.S. Information Agency), reflecting skepticism as to the contribution such activities made to the achievement of foreign policy or national security objectives;

(2) Sentiments expressed by some officials of AID and the former International Communication Agency that TAF programs were too far-removed from Government to be of real utility in achieving their specific short-term program objectives; and

(3) Minor reservations about the way the Foundation administers its programs, especially the distribution of resources between the headquarters office in San Francisco and the overseas posts. (The Foundation's 1981 Annual Report notes that over 85 percent of expenditures went for overseas operations.)[38]

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[37] The Asia Foundation, 1981 Annual Report, pp. 13–14.
[38] Ibid., p. 15.

The first type of response tended to come from officials concerned primarily with keeping departmental budgets within bounds. This approach has been criticized by some observers as an example of permitting budget to determine policy, rather than the other way around.

The second was voiced by Government officials who felt that The Asia Foundation was not sufficiently plugged into the "real world" in which they conducted their own programs. TAF officials interpreted this response as an indication of Government impatience and displeasure that the Foundation would sometimes not restructure its activities to mesh more exactly with official U.S. country programs intended to respond to the particular foreign policy stance of the moment.[39]

The third negative was usually qualified with the observation that it did not detract from the fact that the Foundation was still performing a useful function at very little cost for the United States abroad and that it should not be used in any way as a rationale for halting its operations by denying it future Government support.

The positive appraisals of TAF programs cited a number of these points:

(1) The Foundation's activities, because of their lack of an official link with the U.S. Government, are sometimes preferred by Asian host countries and participants. These governments and individuals have become familiar with the Foundation's way of conducting business and feel more comfortable with it than with activities clearly labeled as U.S. Government-operated.

(2) The Foundation's private character gives it the flexibility to respond quickly to opportunities to support an Asian institution or the needs of an important Asian individual that might be lost if approval had to be sought from a U.S. Government agency.

(3) For purposes of comparison, the Foundation's infrastructure expenses—salaries, office and housing standards, and general administrative and operating costs—are less costly than those of either State, AID, and USIA or the even more costly United Nations agencies functioning in Asia. A State Department Audit Report issued in May 1982 was highly positive in its tone and findings, both with regard to management practices and policy relevance.[40]

Similarly, a study mission to Asia by staff members of the House Foreign Affairs Committee in October 1982 concluded that "the Foundation is performing a unique and valuable service in direct support of American foreign policy interests." [41]

IV. Alternative Proposals for Funding The Asia Foundation

This section discusses several possible options for funding the Foundation's activities by the U.S. Government, and is based on the premise that it is in the national interest to continue doing so. Of course, another point of view might hold that further U.S. Government funding is no longer appropriate. This view would suggest options involving private funding, but they are not discussed in any detail here as they are beyond the expertise of CRS.

[39] In fact, both Asia Foundation documents and State Department reports indicated that the Foundation closely coordinated its program planning with U.S. Embassies in the countries where it operates.

[40] U.S. Department of State. Office of the Inspector General. Mangement Audit of The Asia Foundation. [multilith], 33 p.

[41] U.S. Congress. House. Committee on Foreign Affairs. U.S. Consular operations and international cooperation activities in Asia. Report of a staff study mission to Asia, October 3–20, 1982. Washington, U.S. Government Printing Office, 1982. p. 3.

Some possible ways of continuing U.S. Government funding for the Foundation are:

(1) Via a general grant from the Department of State;

(2) Via a grant from USIA;

(3) Via a grant funded as part of USIA's appropriation, but administered by the State Department (CRS has heard that this arrangement may be suggested by the administration in the fiscal year 1984 budget request);

(4) Via a grant from AID;

(5) Via general or program-specific support grants from a combination of State, AID, and USIA;

(6) Via a new Federal "umbrella" mechanism, a council, commission, or endowment similar, perhaps, to the Board for International Broadcasting (BIB) which originally served to provide oversight and U.S. Government grants to Radio Free Europe and Radio Liberty, to be established to fund The Asia Foundation and, perhaps, other private organizations carrying on international programs in the national interest in Asia.

The first option is essentially a continuation of the *status quo*. The second might be preferable if one accepts the view that the TAF role and programs are closer to USIA's "public diplomacy" than those of the State Department. The third option has a hybrid character that may respond to both the perception that TAF programs resemble those of USIA, and the preference of the Foundation that the State Department be its point of contact with the Government. The fourth would be a return to the pre-1980 situation, based on the view that the Foundation's activities are generally developmental in emphasis; this option could pose certain problems because some TAF programs are conducted in non-developing countries. The fifth option could be seen as bureaucratically complex, but would permit the Foundation to obtain funds for differing purposes from appropriate executive agencies. The sixth might be followed if no executive branch agency were willing to provide funding for TAF.

There is evidence that the Asia Foundation would prefer the *status quo* (option 1). It may be that it values the kind of relationship it has had with the State Department and U.S. Embassies abroad because of the general view that the Department is the preeminent foreign policy agency in the executive branch. Moreover, the State Department has generally approved of TAF programs. Some TAF officials have felt that USIA has at times in the past put too much pressure on the Foundation to accommodate its programs to USIA country plans overseas, and that these plans have sometimes required the Foundation to alter its program emphases, and possibly damage its bona fides with host country governments and contacts.

All or any of these alternatives are based on the assumption that some kind of permanent administrative mechanism is needed to facilitate the establishment of budgetary processes by which the executive branch would request support for The Asia Foundation from Congress. The creation of such a mechanism would presumably avoid the experience of the past years whereby Congress has had to add funds for The Asia Foundation because the executive branch would not request them.

The arguments in favor of working through an existing entity, rather than creating a new body to administer the funds would appear

to make sense in a period of budgetary pressures and resistance to the establishment of any more government agencies, no matter how small and discrete in their staff and function. On the other hand, almost any of these alternatives could work, once there is a policy determination that the programs of The Asia Foundation should be supported by the Government because it is in the national interest to do so.

However, should the executive branch continue to resist funding The Asia Foundation, Congress might wish to enact enabling legislation providing a permanent basis for funding.[42] Some such arrangement might make it more difficult for a future administration to drop TAF funding, should it decide to do so against the wishes of Congress. This assumes, of course, that Congress would continue to feel that TAF programs were in the national interest.

Even if the U.S. Government does decide to continue funding these programs, it is possible that the Foundation could make a greater effort to secure more private funding than it currently raises. Some observers have mentioned that the current levels of private support cited by the Foundation may be somewhat overstated, for example, the value of the publications contributed by the U.S. publishing industry, and that the Foundation might increase its efforts to gain additional assistance from the U.S. private sector.

Before concluding this study, however, it might be appropriate to at least mention the possibility that the U.S. Government no longer fund TAF programs on the grounds that they might be even more acceptable to host governments if they were totally independent of the Government. This option would not appear to have much support among many of the groups or individuals who have reviewed the Foundation's activities over the years. Moreover, there would also be a chance under such an arrangement that TAF programs might be less supportive of and responsive to U.S. policy interests in the region.

These are all points which might be considered as the U.S. Government deliberates the best course of future action with regard to The Asia Foundation.

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[42] In order to carry out such programs, the authorities in the U.S. Information and Educational Exchange Act of 1948, as amended (P.L. 80–402) and the State Department Basic Authorities Act of 1956, as amended (P.L. 84–885) might be utilized.

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APPENDIX A

THE ASIA FOUNDATION

TRUSTEES' DISCUSSION PAPER ON THE FOUNDATION'S FUTURE STATUS AND FUNDING

(Prepared for the consideration of the Department of State, September 28, 1981)

SUMMARY

This discussion paper has been prepared as an aid to the Department of State and to the Trustees of The Asia Foundation in arriving at the recommendations on the future of the Foundation that have been requested by the Senate to be submitted by December 1, 1981.

The Asia Foundation is in a strong position to contribute to the furtherance of U.S. interests in Asia. Using its established network of offices, contacts and other assets, and as the lone private American grant-making organization in many countries in Asia today, the Foundation provides the United States Government with a low-key, cost-effective alternative channel through which long-term U.S. foreign policy interests in Asia can be advanced in ways that are not open to the USG.

The Asia Foundation (TAF) was created by the USG in the early 1950's to serve American national interests as a private instrumentality for building in Asia stronger, freer and more stable societies friendly to the West and able to withstand the threats of internal subversion and external political aggression. Federal support through CIA channels was terminated in 1967 but a decision was made at the same time by the USG that the Foundation should be preserved in the national interest.

While awaiting the establishment of a new and open method of funding the Foundation, State and AID were asked by the White House to temporarily fund the Foundation. Since 1968 the Foundation has been sustained by year-to-year ad hoc grants from State, ICA and AID and from other Federal and private grants and contributions. But after 14 years the basic problem remains; namely, the lack of a stable method of funding the Foundation.

The heart of the matter is this: The Asia Foundation cannot survive without adequate basic financial support from the Federal Government. If the Foundation is to continue, a new and more permanent method of funding the organization, satisfactory to the Administration, the Congress and the Foundation, must be found.

The Foundation's future is now on the line. Its continuance depends upon a resolution of two basic questions: its status and how it is to be funded by the USG. Private support is growing but can at best only be considered as a supplement to the basic support needed from the USG if the Foundation is to survive as an effective private instrumentality for the furtherance of U.S. foreign policy interests in Asia.

Guided by what they believe to be in the best interest of the United States the Trustees make the following principal recommendations:

1. That the Foundation remain a private organization in order to best serve the purposes for which it was created.

2. That the Foundation should continue to be funded through the Department of State via a general grant, provided such funds are added to the State budget ceiling.

3. That the Congress should be asked to pass multi-year enabling legislation for the Foundation as a separate line item in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act.

4. That the level of annual Federal support for the Foundation should be sufficient to enable it to carry out its purposes in a cost efficient manner and to allow it to operate and compete more effectively in the furtherance of its mission.

The Board of Trustees welcomes the opportunity to discuss with the Department of State the issues set forth in this paper and the question of the Foundation's future status and funding. The Trustees hope that a solution can be found to these questions and that the Foundation will be able to be of maximum service to its country in the years ahead.

I. Introduction: The Problem

The Senate Foreign Relations Committee, in its Report to accompany the fiscal years 1982–83 Foreign Relations Authorization Act, has called on the Department of State, "in coordination with the Trustees of The Asia Foundation" to submit to the Congress by 1 December 1981 "recommendations on the future of The Asia Foundation." This paper has been prepared as an aid to the deliberations of the Department and the Trustees in arriving at those recommendations.

In issuing its call for a resolution of the Foundation's funding problem, the Senate Foreign Relations Committee noted the absence of an Administration request for funds for the Foundation (TAF) for fiscal year 1982 despite the Foundation's ". . . distinguished 30-year record of contributing to the foreign policy objectives of the USG." Recognizing that this placed the Foundation's very existence in jeopardy, the Senate Foreign Relations Committee passed an Amendment to the State Authorization Bill adding $4.5 million for the Foundation for fiscal year 1982.

Simply stated, the basic problem confronting the Foundation and the USG is the absence of a stable method for the public funding of the organization. The problem is not a new one. It goes back to the cut-off of CIA funding of the Foundation and other private organizations in 1967. A decision was made at that time by the USG that the Foundation should be preserved in the national interest. The Trustees were urged to hold the Foundation together and to carry on until a new method of providing it with continuing public support was found. In 1968 measures were taken by the White House to provide the Foundation with interim funding, including grants from the State Department and from AID, while awaiting the resolution of the question of how the Government was to fund the organization long term.

Successive Administrations, while continuing to endorse the Foundation and the special value of its presence and programs in Asia to

American foreign policy interests, have failed despite their efforts to find a satisfactory answer to the question left over from 1967. During the intervening fifteen-year period the Foundation has been kept alive by ad hoc year-to-year funding decisions. Confusion over where the Foundation was to be housed in the Federal budget, who was responsible for it, and the record of up-and-down annual funding have been a great strain on the Foundation.

The heart of the matter is this: The Asia Foundation, created by the USG, cannot survive without adequate basic financial support from the Federal Government. If the Foundation is to continue, a stable and continuing method of funding the organization—satisfactory to the Administration, the Congress and the Trustees—must be found.

The Trustees of the Foundation therefore welcome the Congressional call, which gives the Department and the Board an opportunity finally to resolve the issue of the Foundation's future in a deliberate and coordinated manner. A final resolution of the TAF problem would not only serve the basic purpose of stabilizing the Foundation but would also serve to reaffirm its basic mission and maximize its future usefulness to the USG and to American interests in Asia in the critical years that lie ahead.

II. Background: Origins and History

As an aid to understanding the problems facing the Foundation today and the issue of its future, it is necessary to recall briefly the origins of the organization and its history down to the present.

In the early 1950's the USG determined that there was a need to create a new instrumentality for the purpose of helping to build in Asia stronger and more stable societies friendly to the West and able to withstand the threats of internal subversion and external political pressure and aggression. It decided that such an instrumentality, to be most effective, should be privately governed and that it should have the freedom and flexibility to do things which the Government would like to see done but which it chose not to do or could not do directly or as well.

At first this new private but publicly supported instrumentality was called the Committee for a Free Asia. It came into being in 1951 with the blessing of the National Security Council. In 1954 the Committee was transformed into The Asia Foundation, which was incorporated in the State of California as a non-profit tax exempt organization governed by a Board of Trustees of private American citizens, with the founding members being selected and invited to serve by the USG. With the approval of the White House and the foreknowledge of Congressional Oversight Committees, the Foundation was funded from its inception through trusts and other foundations which in turn were funded by the CIA.

While covertly funded, the Foundation was not used for clandestine intelligence purposes. Its activities were open, and subject in some cases to the review and prior approval of host governments. This factor, together with TAF's reputation for its sensitivity to Asian traditions and aspirations and its quiet and unobtrusive approach working through Asians and being responsive in a timely and flexible fashion to Asian needs not being met by others, gave it a unique stand-

ing in Asia and enabled it to survive the disclosure in 1967 of the USG covert funding of private American organizations.

In response to these revelations by the American press, President Johnson in 1967 directed that all such covert funding be terminated. However, a Special White House Committee, headed by Under Secretary of State Nicholas Katzenbach, recommended that the Government ". . . should promptly develop and establish a public-private mechanism to provide public funds for overseas activities of organizations which are adjudged deserving in the national interest of public support." President Johnson accepted this recommendation and appointed Secretary of State Dean Rusk Chairman of a Commission to review possible means of achieving this purpose.

The Rusk Commission concluded that The Asia Foundation should be preserved in the national interest and that means of assuring its financial future should be established. To this end the State Department was asked by the White House in 1968 to take on the responsibility of finding overt USG funding for TAF until a new and more permanent funding mechanism was in place.

The incoming Nixon Administration in 1969 reaffirmed the importance of TAF to U.S. interests in Asia and the ad hoc arrangements for funding the Foundation were continued. State (CU) continued to provide TAF with a yearly general support grant, as did AID, on the request of the Secretary of State. But these funding arrangements were viewed by the CU and AID staffs as temporary, and the amounts of funds provided grew increasingly inadequate to meet the Foundation's program opportunities and the effect of inflation on its rising operating costs. As a result, in 1975 the TAF Trustees formally asked the USG to review the matter and to make a determination as to whether it wanted the Foundation to continue.

The Government's response was to appoint a panel of private citizens experienced in foreign affairs to review and evaluate TAF's record and potential in terms of its ability to further serve the country's priority objectives in Asia. The Panel was chaired by Erwin Canham, editor emeritus of the *Christian Science Monitor*, and included Ambassador Samuel Berger, James Clark of Chase Manhattan Bank, and Ambassador Leland Barrows. The Panel found that:

> "The Asia Foundation is an effective instrument for the furthering of United States interests in Asia. It is well managed, has a body of competent and experienced personnel, is widely established and well-regarded in Asia, and has demonstrated the ability to use a limited amount of money to reach a wide range of individuals and institutions beyond the reach of official U.S. representatives and programs. The Foundation has shown itself to be sensitive and responsive to local needs and priorities, and is innovative and expeditious in the administration of the small projects which largely compose its program. By its example and by the projects it supports, it is an effective proponent of pluralism and democratic social and political values. It makes efficient use of the USG funds which provide most of its financing. In brief, the Panel has concluded that the policy of providing government funds to this privately managed foundation is wise and sound, fully justified by law and should be continued."

The Panel came to the further conclusion, after examining various alternatives including conversion into a public corporation, that the Foundation could best serve the purposes for which it was created by remaining private, that its status and relationships with the USG should be set forth in a memorandum-of-understanding, and that its annual funding level should be raised to $10 million in constant dollars. It further recommended that responsibility for government policy toward the Foundation be centralized and observed that much of the Foundation's difficulty since 1967 had been the result of a diffusion of responsibility for its affairs within State and AID.

The Canham Report was submitted in October 1976. The outgoing Ford Administration did not take action on its recommendations and the matter was taken up in early 1977 with the incoming Carter Administration. As a result of Trustee Committee meetings with Secretary Vance and Deputy Secretary Christopher to discuss status options and funding alternatives, an interagency review of the Foundation's situation was undertaken. In a letter to the Trustees in October 1977, Secretary Christopher wrote that the Carter Administration had concluded that the Foundation continued to be deserving of public support ". . . given its valuable contributions to U.S. foreign policy objectives in Asia," that it could carry out its mission most effectively by remaining private, and that the Congress would be asked to continue to support the Foundation through grants from both ICA and AID at a substantially higher level of funding.

Despite this endorsement and assurances, the arrangements for the continued funding of the Foundation became less tenable during the years of the Carter Administration as AID's scope, both geographically and programmatically, became increasingly restricted by law. As a consequence the Foundation found its earlier freedom and flexibility, and ability to respond quickly to opportunities falling outside of AID's mandate, greatly reduced.

In 1979 OMB directed that the Department of State take over the responsibility for providing the Foundation with its basic general support (core grant). AID had recommended this action on the grounds that AID's mandate did not permit the Foundation to carry out its broad mission and that TAF's purposes were more compatible with State's foreign policy interests than with AID's new basic human needs strategy. The Trustees, State's Geographic Bureaus, and the Embassies welcomed this move, but the transfer of funding responsibility from AID to State did not go well.

According to Under Secretary of State David Newsom: "The Department made clear . . . that funding for the Foundation would have to be additive to the Department's budget ceiling since it effectively represented a transfer of budget authority from AID and it could not be reasonably expected that the Department eliminate existing functions in order to implement the transfer." But OMB refused to add funds to accommodate the transfer and instead directed the Department to make offsetting cuts in its own budget if it wished to fund the Foundation.

State's efforts to appeal this decision failed, and OMB's insistence that the Foundation could be included in the State budget only at the expense of other State items result in the Foundation being left out of the President's final budget request to the Congress for fiscal year

1981. The Congress, recognizing the severity of the situation, rescued the Foundation by taking independent action to add funds, specifically for the Foundation, to the State Department's appropriation for fiscal year 1981.

In January 1981 the State Department wrote the incoming Chairman of the Senate Foreign Relations Committee that "The Asia Foundation is included as a $4.256 million item in the President's fiscal year 1982 budget request," and that "the Department continues to view The Asia Foundation as a significant U.S. asset in the foreign policy area."

In February 1981, in reviewing the Carter fiscal year 1982 budget request to be presented to the Congress, OMB eliminated all of the funds which had been earmarked for the Foundation. Efforts within the Administration and by the Trustees to have this decision reversed failed.

In May 1981 the Senate Foreign Relations Committee, again recognizing that as a result of the OMB decision the USG was in danger once again of losing an asset that had been built up over 30 years, added $4.5 million for the Foundation to the State Department's fiscal year 1982 budget authorization. Final action on this matter awaits the outcome of the fiscal year 1982 appropriation process.

This is where matters now stand. The positive findings of various reports and reviews concerning the Foundation's contributions to U.S. foreign policy interests remain valid, in the judgment of the Trustees, but the need for a long-term solution to the Foundation's annual funding requirements has yet to be met.

III. The Asia Foundation Today

Despite the funding uncertainties and related difficulties which the Foundation has faced since 1967, its presence and position in Asia have been growing in strength. It has in being in Asia today an experienced professional staff, an established infrastructure of offices, a wide network of important contacts, and a time-tested philosophy and approach that has been proven over 30 years to be effective in working with Asians.

Recognizing that the key to the Foundation's method of operation is an in-country presence with an Asia Foundation resident Representative, the Trustees have sought to maintain the Foundation's basic overseas infrastructure of offices even when faced with severe budgetary difficulties. Encouraged in this effort by those in the USG who recognized the importance of "holding on" and the value of "continuity," the Foundation has succeeded in maintaining and, in some recent instances, expanding its scope of operations in Asia and the Pacific in direct response to the urgings of the Department of State and the International Communication Agency. As a result the Foundation presence and coverage in Asia today is more extensive than that of any other American foundation.

The governing body of The Asia Foundation is its Board of Trustees. The Board is made up of a broad spectrum of American leaders in education, industry, finance, law, diplomacy, journalism and civic affairs, who serve without compensation as a public service. The Board meets four times a year and actively sets policy, approves major projects, and raises funds in the private sector.

The Foundation's career staff now consists of 133 people, 93 of whom work in Asia. Of the total, 82 are Asians. With this minimum staff (reduced by almost 50 percent over the past decade), the Foundation handles programs in 20 countries in Asia and the Pacific and maintains field offices and resident Representatives in ten of them. The offices are located in Korea, Japan, Taiwan, the Philippines, Indonesia, Malaysia, Thailand, Bangladesh, Pakistan and Sri Lanka. Program activity in Singapore is handled from Kuala Lumpur, that in Nepal from Dacca, and projects in the Maldive Islands from Colombo. Programs in the PRC, Hong Kong and the Pacific Islands are administered from the home office in San Francisco, with frequent visits by staff. The home office provides necessary planning, budget control and accounting services for all country programs, as well as services and arrangements for Asians who come to the United States on TAF grants for observation or training.

The key to the Foundation's method of operation is the TAF country resident Representative who is responsible for liaison with Asian leaders and institutions, recommending program emphases and objectives, negotiating grant agreements, and monitoring and evaluating projects. The Representative is usually a person of long and substantial experience in Asia who is valued as a sensitive and astute observer of the local political, socioeconomic and cultural scene.

The Foundation is a multi-purpose organization concurrently serving many different American interests, public and private. This is deliberate, and considered by many observers to be one of the most valuable qualities of the organization. The heart of its activity is in making grants to hundreds of Asian leaders and institutions annually. But the Foundation does not limit its work to the making of grants exclusively, as many other private organizations do. It also handles training and study placements of Foundation grantees in the United States; it acts as co-sponsor and organizer of Asian seminars and conferences, and it recruits special consultants and advisers for indigenous projects in Asia when requested. As a service organization, the Foundation functions as a facilitator and broker in arranging contacts and ongoing relationships between the American educational, voluntary and business sectors and their Asian counterparts—a particularly valued role because of the Foundation's ability to bridge individual sectors and to help weave a richer fabric of private Asian-American relationships.

The Foundation also administers a number of special activities such as its own Books for Asia Program. This program, the largest of its kind in the world, distributes more American books and professional journals to Asia than any other American effort, public or private. On an average the Foundation selects and ships to Asia for placement in Asian libraries between three-quarters and a million books and journals each year. Most of the books are new and most are sent in response to stated Asian needs as verified by the Foundation's field offices. This program, now in its 26th year, is an outstanding example of the Foundation's partnership with the American private sector. Most of the books are donated by the American publishing industry, university book stores, and other private American book sources. The estimated dollar value of these contributions-in-kind is in excess of $5 million annually.

In carrying out this work the Foundation has advantages and assets which are the result of its experience and which would be difficult or impossible to duplicate today. Having "grown up" over the past 30 years with many of the host governments in Asia, the Foundation has continuity and enjoys today a familiarity and easy relationship with Asian leaders that a newer entity could not achieve. It also has formal status agreements with most of the Asian governments which give the Foundation special standing in each country.

In the eyes of Asians, The Asia Foundation is regarded as a prestigious private organization whose relationship with the USG and its public funding are widely known and accepted. In some cases TAF assistance is especially valued because of this relationship. Foundation grants are also often sought by influential Asians, not just for their cash support, but for the "face" and "stature" such assistance by TAF brings. Significantly, one of the Canham Committee's most important findings after visiting all TAF countries in Asia was that the Foundation was held in "great affection" by Asians and that it was "widely accepted, highly regarded and trusted throughout Asia."

Perhaps the most valuable asset of the Foundation is its range of contacts and working relationships in Asia. Having deep roots throughout the region, the Foundation has been able to assist more Asian public, semi-public and private organizations than any other private American grant-making organization. Even more importantly, it is able to work in sensitive areas and has access to individuals and institutions not readily reached by official U.S. aid or representation. Its acceptance is such that it can cooperate with incumbent government policy-makers from the cabinet level down to village organizations, while also being able to cooperate with caution and prudence with the "opposition."

The Foundation also has a number of important private organizational assets in the United States which back up the Foundation's front-line work in Asia. Over the years it has gradually built up cooperative working relationships with hundreds of American institutions: universities, professional societies, community organizations, voluntary groups, publishers, bookstores, state and local governments, other foundations, and a growing number of private corporations and business organizations. The Foundation draws on this "supporting private network" for advice and advisers on Asian problems, for the placement of Asian grantees and interns and for technical and financial assistance. In turn the Foundation serves as a broker in forming linkages between its American network and Asian counterpart organizations. By so doing the Foundation contributes to the strengthening of Asian-American private cooperation and friendship.

To round out the picture of The Asia Foundation today, it should be pointed out again that the Foundation serves, in addition to broadly conceived long-term American foreign policy objectives, the special interests of many agencies, public and private. Some examples follow:

—In Indonesia, the Philippines, Thailand, Bangladesh and the Pacific, AID is utilizing the Foundation's capabilities to further some of its priority objectives. In some AID countries, TAF is the major private American instrumentality through which AID works. Capitalizing on the Foundation's wide range of contacts, AID is also addressing some Asia-wide regional problems through the Foundation's established infrastructure.

—ICA has called on the Foundation to be responsible for most of its interests in the South Pacific where it has only a limited presence. The Foundation has also responded to ICA's call for increased activities in South Asia, especially with Islamic institutions and the training of young Asian diplomats. The Foundation's entry into the PRC was also partly at the urging of ICA as a means of implementing the bilateral agreement on reestablishment of diplomatic relations in 1979 and subsequent protocols on cultural cooperation.

—The Japan United States Friendship Commission has used the Foundation's presence and capabilities in Japan to further its objectives. To date the Foundation has been the largest recipient of Commission funds, for programs administered by TAF which are of particular interest to the Commission, i.e., the Foundation's Translation Service Center and the strengthening of American studies in Japanese universities.

—The U.S. Department of Commerce has asked the Foundation to administer its program with the PRC's Dalian National Center for Industrial Science and Technology Development. The Foundation is completing the first year of this arrangement, and Commerce is now asking the Foundation to continue to be responsible for a major ongoing program for sending visiting American professors to Dalian to be sponsored by the Department of Commerce.

—Many of the Rockefeller Brothers Fund's Asian interests are now carried on through grants to The Asia Foundation. They have used TAF's infrastructure to carry out joint projects in Japan, Taiwan, Hong Kong and the PRC.

—TAF administers for The Henry Luce Foundation the Luce Scholars Program whereby 15 young Americans are placed by TAF in internships in Asia each year. The Foundation also administers a program for the Starr Foundation for placing in American universities Asian graduate students in actuarial sciences.

—General Electric's interest in contributing to the strengthening of business education in Asia is being realized through its support of the Foundation's pioneering effort in helping the National University of Singapore establish the first MBA program in that country. A program for training faculty in the United States is now underway administered by TAF and funded by G.E.

—Mobil Oil has chosen to work through TAF to demonstrate its concern and its support for educational development in Sumatra. Grants from Mobil to TAF support the Foundation's program to up-grade educational opportunities for women, vocational training and the administrative and academic staff of Syiah Kuala University of Aceh Province. Mobil's contributions to these programs have to date totaled $157,000 and pledges for continuing support for a cooperative Mobil/TAF program in Indonesia have been received.

—The Fletcher School of Law and Diplomacy and the School for Advanced International Studies both indicated to the Foundation a desire to have students from the PRC in their programs. The Asia Foundation made the arrangements with the PRC Ministry of Foreign Affairs. Costs were shared between the Min-

istry, The Asia Foundation, Fletcher and SAIS for the first two Chinese diplomats who completed their studies recently. The Foreign Ministry has now asked the Foundation to place four Chinese foreign service officers in American graduate schools for the coming academic year.

None of the above-mentioned services provided other agencies, public and private, would have been possible without the general grant—which is the Foundation life-blood—channeled to TAF through the State Department.

The Foundation expects to spend approximately $7.5 million for the current year. In addition to its cash expenditures, matching grants in Asia and the estimated value of contributions-in-kind bring the total dollar value and program impact of the Foundation's activities for the year to between $15 and $16 million. The TAF fiscal year 1982 planning budget, assuming a continuing $4.1 million general grant from the Department of State, is $8.5 million. It is expected that the total value of the American private sector input and Asian counterpart funds will come close to matching dollar for dollar the funds received from the USG in fiscal year 1982. But the Trustees must emphasize that private sector support should be viewed as a supplement—as an addition to the Foundation's basic financial base which must be provided by the Federal Government if indeed the USG wishes to maintain the Foundation as a private ancillary organization for the furtherance of American interests in Asia. All told the USG has now invested $200 million in the Foundation's programs and operations since its inception.

IV. The Asia Foundation and Future U.S. Interests in Asia

Asia, the most populous area of the world, is of immense and growing economic, political and strategic importance to the United States. The future course of Asia's development in the remaining years of this century will have a direct and significant impact on American interests at home, in the Pacific, in Asia and throughout the world. The furtherance of U.S. interests in Asia lies in strengthening its bilateral ties with its friends; in encouraging the development of greater Asian regional cooperation; in strengthening free institutions, democratic practices, and the rule of law in Asia: in advancing the climate for mutually beneficial Asian-American trade and investment and, finally, in getting to know and in establishing ties with a whole new generation of Asian leaders who are now emerging and who collectively will largely determine the course of Asia's future and its relations with the West.

The United States has vital "security interests" at stake in Asia, and the challenge to these interests is growing. The build-up and outreach of Soviet power and the U.S.S.R's persistent efforts to extend its influence in Asia through its own means, through local sympathizers and through its client states is of growing concern. American "security interests" in Asia embrace more than just military power and alliances to counter this threat. They also include the entire network of American relationships in Asia: diplomatic, political, economic, social and cultural. American interests in Asia therefore require not only a plausible American military presence and capability but also closer bilateral relations, stronger regional organizations, and wider areas of cooper-

ation between the U.S. and those Asian nations which are equally concerned about the motives and activities of the Soviets and those of their proxies.

The Asia Foundation for the reasons already given is in a strong position to contribute to the furtherance of various aspects of the American interests mentioned above. Using its assets and as the lone private American grant-making organization in many countries in Asia today, the Foundation provides the USG with a low-key alternative channel through which some of its future long-term objectives in Asia can be advanced.

Looking to the future, the Foundation would like in particular to concentrate on (1) helping to promote greater international stability in Asia through peaceful change and needed political development, (2) encouraging greater Asian regional cooperation through regional organizations, especially private ones, (3) strengthening United States-Asian bilateral ties and private institutional linkages through a variety of means, (4) and lastly, identifying and working with some of Asia's new generation of leaders in both the public and private sectors.

With respect to the first area of concentration, the strengthening of internal stability, national unity and the viability of the non-Communist governments of Asia, the Foundation's attention will be focused primarily on political development needs. As appropriate and with care, the Foundation will encourage and will respond to those Asian initiatives and requests which meet important national needs and goals and which at the same time further U.S. interests. The Trustees believe that political development, broadly defined to include all of its aspects should be given high priority in the future and that it is in the sensitive area that the Foundation can make its most distinctive contribution.

It has been contended that the United States' leadership in the world in the past has been flawed by an insufficient ability to provide reliable and sustained support of its friends and to the growth and defense of freedom abroad, that the United States does not have an adequate support system capable of encouraging and assisting those individuals and institutions who share its ideals of freedom and who seek to strengthen the role of democracy in their own societies through political development and nonviolent change.

The United States' leading political adversary on the other hand places a high priority on lending whenever and wherever needed, "political aid" to those who share or who might be persuaded to share and adopt its political ideology. But the Soviets do not have in being in Asia an open mechanism for the pursuit of their political objectives. The United States, however, does have in Asia a private support system in the form of The Asia Foundation. TAF can and is willing to compete in the marketplace of ideas, and it has the capability of encouraging and supporting Asians who came to it for advice and assistance as they strive to strengthen the forces of freedom and democracy as a bulwark against Soviet influence and totalitarianism of the extreme left and right.

The Foundation believes that the gradual growth of democratic institutions, greater popular participation in government, a more equitable sharing of the benefits of modernization along with greater

individual freedom and opportunity contribute to internal stability and to the strength and national unity of the non-Communist countries of Asia. This kind of non-violent progressive change is in the American national interest. The Foundation therefore intends in the future to advance these political development objectives by helping Asian national, provincial and local governments, keeping in mind their own cultures and traditions, build what some have called "the infrastructure of freedom": Responsible and responsive government, representative governmental institutions (parliaments, provincial legislatures, local councils), a responsible civil service and legal systems which engender a respect for the rule of law and provide the basis for the equitable administration of justice.

Growing internal stability, and the strength and security of the free nations of Asia can also be enhanced by the Foundation's support of Asia's nongovernmental sector and by its encouragement of greater democratic pluralism. The needs of Asia's private sector often fall below the threshold of official bilateral and multilateral assistance programs. Exercising sensitivity and taking advantage of its wide contacts the Foundation can in the future work with important youth and student groups, women's societies, farmer associations and various kinds of community organizations and private civic clubs in Asia in furthering their respective aims and activities.

TAF can also continue to work with Asian intellectuals, writers, lawyers, economists, political scientists and journalists in an effort to encourage private discussion and action on national needs and goals and on regional and international problems of importance to the United States. Lastly, by its association with some of the more traditional elements of Asian society, the Foundation can help those who would like to see the great religious forces of Islam and Buddhism flow in constructive channels rather than become impediments to progress and a threat to internal stability and international peace.

In addition to serving the American interest in promoting internal political stability in Asia, the Foundation can also contribute to the collective strength of the free nations of Asia by supporting the growth of Asian regional organizations. The Foundation has a strong record in this regard. It has been the principal source of American encouragement and support for the establishment and functioning of a number of existing Asian private regional organizations such as LAWASIA, ASAIHL (Association for Asian Institutions of Higher Learning), CAMS (Asian Council on Manpower Studies) and the successful series of high level Pacific Trade and Development Conferences.

Looking to the immediate future, the Foundation has already been exploring opportunities for strengthening ASEAN by building a supporting structure of private regional organizations in the ASEAN region such as an ASEAN Council of Schools of Business and Management, an ASEAN Law Association, an ASEAN Regional Security Studies Center, etc. The Foundation also sees opportunities for similar kinds of regional interchange among some of the countries of South Asia and between this region and Southeast Asia. The Foundation, building on its relationships in Japan foresees, too, prospects for linking that country with parts of Asia in ways that reinforce American interests rather than competing with them.

For the future a strong U.S. economy is essential if the United States is to fulfill its global role. Asia is of great importance to the U.S.

economy now and Asian-American economic relations in the 1980's and beyond will loom all the more important as times goes by. With this in mind one of the Foundation's currently stated long-term program goals is:

> "To foster attitudes and policies within Asia which contribute to a better environment for the growth of mutually beneficial international economic relationships, foreign investment and world trade."

TAF can pursue this goal, which furthers an important American national interest, in a number of ways in the future.

It can bring constructive influence to bear on the development of national economic policies in Asia through its support of relevant higher education and research in Asia and advanced study in the United States, through its sponsorship of regional economic seminars and conferences, through high level Asian-American exchanges on trade and foreign investment, and through the provision of American economic advisers on request.

The Foundation can also continue to encourage private enterprise, entrepreneurship, the growth of small industries and greater self-help and self-reliance through a variety of matching grants and the provision of American technical know-how. It can also contribute to the economic strength of friendly countries in Asia and serve U.S. business interests abroad by helping to build a stronger reservoir of management talent through the Foundation's support of special training programs, schools of business administration and the in-service educational programs of Asian management associations in cooperation with their American counterparts.

The image of the American corporation, capitalism and the merits of free enterprise and free market forces can also be enhanced along with the climate for Americans doing business in Asia, by the Foundation. It can serve as a bridge or a broker, through which the American private business sector with interests and a stake in Asia can contribute to some of Asia's pressing needs. With a reasonably secure public sector financial base, the Foundation's potential for further service to the American private sector's interests in Asia and the prospects for building TAF into a true public-private partnership would be greatly increased.

The goal of strengthening America's bilateral ties with Asian countries would be a pervasive element running throughout the Foundation's programs in the 1980's. In some situations now discernible and in ones that might arise in the future, TAF would seek to use its assets to strengthen certain bilateral relationships of special importance to the United States. For example, the Foundation has the potential today to help rebuild the attenuated relationship of the United States with Pakistan by singling out for special attention hard to reach Islamic institutions and leaders with whom the Foundation has had a long association and who are and will be playing important roles in determining the future direction of Pakistan's political development.

Another example is the Japanese-American bilateral relationship which may well hold the key to peace and security in the Pacific-Asia region. The critical issue is how to improve upon the degree of trust and cooperation that already exists between the two countries. TAF, as the only American resident foundation in Japan, can contribute to improved trust and understanding and to a more meaningful bilat-

eral dialogue through its efforts to translate important Japanese contemporary writings into English, thus giving the United States a better insight into the Japanese mind on issues of critical importance to the bilateral relationship.

Other examples of the Foundation's activities in support of American bilateral relations include its expanding program with the People's Republic of China in an effort to establish contacts and working associations with new elements of China's leadership—while supporting at the same time through its presence and program in Taiwan, the spirit of the Taiwan Relations Act. In Korea and the Philippines, two countries of great importance to American security interests in Asia threatened by continuing internal political instability and disorder, the Foundation without involving the United States officially is currently and can in the future, work quietly in politically sensitive areas to relieve some of the political tension that exists. It can do so by assisting those who believe in gradual change and the restoration in time of true constitutional government and civil rights through democratic means and non-violent change.

Finally, in considering how TAF can serve the long-term interest of the United States in the years ahead the question arises: Who are going to be the leaders of Asia tomorrow and what will their political orientation and their attitudes be toward the United States? The Foundation has had a long association with Asia's contemporary leadership, having helped many of them when they were just starting up the ladder. Now a new generation of leaders is emerging—better educated, more nationalistic and more independent. The Foundation can invest in some of the most promising ones, can help them with their careers, can bring them into contact with the United States and Western thought, and can offer them assistance to test out their ideas as they try to develop new policies and new organizations. It can also offer them alternatives to the blandishments of others. All of this will be done with the intent that in time this new generation of Asian leaders will in a general way develop ideals and aspirations which are compatible with the basic principles of democracy, and also attitudes toward the world and international affairs that complement, or at least are not inconsistent with, the long-term foreign policy interests of the United States.

The Asia of the eighties and beyond will in many respects be a vastly changed region from that of the 1950's when TAF first began its work. The Asian economic "miracle," the greatly enhanced capabilities and independent-mindedness of Asian leaders, and the new opportunities and challenges to U.S. interests resulting from the increasing activity of China, Japan and the Soviet Union on the Asian scene are but a few of the new issues of the eighties which The Asian Foundation can help to address in modest yet distinctive ways.

At the same time many of the U.S. concerns in Asia remain, unfortunately, fundamentally unresolved. They involve continuing political succession problems in a number of Asian countries, the persistent—some would say expanding—gap between modernized and traditional sectors of Asian societies, and continuing Asian misperceptions of the U.S. role and willingness to stay the course in Asia, among others. In this regard, the Foundation's presence is a practical demonstration of the continuity of the American private and public interest and commitment in Asia. The Trustees are firmly convinced

of the Foundation's utility to the USG in meeting some of these issues of the eighties—in ways described above. The Foundation's now deeply planted roots in Asia, along with its human and institutional assets, will enable it to foresee and adapt to new climates in Asia in the future if the Foundation's fundamental status and funding problems can be resolved.

V. The Foundation's Future Status: Private or Public?

The Asia Foundation's past record is known. What it is currently doing is also known to the Department of State. As the Department of State and the Trustees look at the future, the basic question is simply this: Is there a continuing need for The Asia Foundation or some similar kind of instrumentality in the 1980's in terms of the American national interest?

There is nothing sacrosanct about the Foundation. It was created for one purpose only; namely, to serve American interests in Asia as a complement and supplement to official USG programs and initiatives. Its continuance should be based solely on a deliberate determination as to whether there continues to be a need for such an organization in the years ahead. The Trustees are of the firm belief that there is such a need and that the Foundation is uniquely prepared to serve further and effectively the American interest in Asia. But in the final analysis this decision will have to be made by the USG.

If, in the end, a firm determination is reached that The Asia Foundation should be continued then the question arises: Should it retain its current status as a private not-for-profit publicly-supported organization or should it be converted into a public corporation with an official Government status? The Trustees submit that in making this latter determination the first and foremost consideration should be whether the Foundation can make its most effective and distinctive contribution to long term American foreign policy interests as a private organization or as a Federal entity.

The Trustees on several occasions over the past 4 years have seriously weighed the pros and cons of the two alternatives. Members of the Board have also discussed the private vs. public status question with officials of the Department of State, the NSC staff, Members of Congress, representatives of public corporations (Inter-American Foundation, East-West Center, Smithsonian, etc.) and knowledgeable private citizens. These discussions and deliberations have led the Board to the firm belief that The Asia Foundation can be of greater value to the USG as a private organization than it could be if it were transformed by law into a public corporation. The reasons for reaching this conclusion follow.

First, as a 30-year-old widely known and accepted private organization, The Asia Foundation can move freely in certain areas of Asian society which are either closed to or difficult for the official arms of the USG to operate in because of local sensitivities. The Foundation can work more easily in many cases in Asia's political arena than the USG—with Asian political institutions, legislatures, the judiciary, the civil service and with political leaders "in" and "out" of power. As a private organization the Foundation can also reach directly a wide cross section of Asia's private sector, individuals, associations, and voluntary groups, etc. In addition the Foundation has ready ac-

cess to traditional and religious leaders and institutions which often shun official contacts and bilateral assistance. TAF's activities and its assistance are considered by Asians to be unofficial and the Foundation in most of Asia is regarded as a private organization—even though the Foundation's principal source of funds is widely known. If the Foundation were to become an official Federal agency its grants would be viewed as being tied directly to USG policies. This would in all probability lead to a closing off of certain areas of programming, particularly in some sensitive areas where official USG assistance would be unacceptable.

Second, as a private organization the Foundation has the capability of responding quickly and flexibly to opportunities which would otherwise be lost. Given available resources Representatives of the Foundation can within their discretionary authority make on-the-spot judgments to support an Asian institution or the needs of an important Asian individual which might take months or even years for an agency of the USG to respond to. The Foundation's flexibility and the all-purpose nature of its interests also permit it to make grants for projects which could not be funded officially by the USG because of legislative, administrative or other restrictions but which are nevertheless considered to be important to the American interest.

Third, as a private organization in place in most of Asia, the Foundation can respond to special requests from State or the Embassies for help with unexpected opportunities which the USG might otherwise not be able to respond to officially because of lack of funds, funding capabilities, or some other impediment. The Foundation can thus serve as a valuable standby alternative private funding channel when needed. This capability also gives State and the Embassies the further advantage of being able to do things which serve the purposes of the USG through the Foundation without involving them or the prestige of the United States directly in the action. This insulation which the Foundation's private character and independence offers can be of value—a value that would be lost if the Foundation were viewed in Asia as just another official agency of the USG like AID or ICA.

Fourth, the current private status of The Asia Foundation, which is widely accepted in Asia, is important to Asia leaders as well as to U.S. interests. Asians themselves believe it both useful and important to have on hand a privately governed American organization to which they can turn on an unofficial basis. For political, bureaucratic and cultural reasons the Foundation's private unofficial character is significant to Asians. In some instances it gives them greater latitude in seeking and accepting support from American sources. Some Asian government officials, diplomats, opposition leaders, members of the press, and others in highly visible positions will in many cases more readily accept help from a private organization than a direct grant from the USG. The Foundation therefore is a convenience for Asians who want a contact and help from the United States but for internal reasons prefer that the associations be on a private rather than an official basis. It also seems safe to say that many Asian governments would also prefer that the Foundation retain its private status even though they are fully aware of the Foundation's historical ties with the USG.

Fifth, as a private organization The Asia Foundation makes the funds provided it by the USG go further. Its infrastructure is low cost compared with comparable USG activities. Its salaries, office and housing standards and general administrative and operating costs are far below those of State, AID and ICA and particularly the U.N. and other multilateral agencies operating in Asia. Official and independent evaluations of TAF and audits have regularly commented on the Foundation's careful management of its resources and its ability to stretch and get the most out of its public funds. More than one American Ambassador has commented to the effect that the TAF dollar goes further than any other U.S. assistance or educational exchange dollar being spent in Asia. This is due not only to the Foundation's average lower cost operation, but also to its careful selection of projects, its success in attaining matching Asian inputs and the value derived from the Foundation's network of cooperating voluntary and other private institutions in the United States.

Sixth, and finally, as a private organization the Foundation has been successful in raising private funds in the United States and in Asia as a supplement to the basic financial support received from the USG. Prior to 1967 the Foundation had no endowment and only a few occasional token donations from the American private sector. Annual Trustee and other giving has increased the Foundation's endowment which was established in 1967 and recent bequests to the Foundation for substantial amounts have been designated by individuals in their wills. Corporate and foundation giving along with the Foundation's income from investments now totals approximately $1 million per annum. Private contributions-in-kind and matching Asian grants also add significantly to the public-private partnership nature of the Foundation's work, and serve as an important demonstration of a pluralistic society in action. If the Foundation were to be converted into a public corporation it is unlikely that it would attract continuing gifts for endowment and other private contributions for its programs from its current corporate and foundation donors, since the incentive of assisting a private organization would be gone. Experience has shown that official agencies of the Federal or State governments operating in the international field (Inter-American Foundation, East-West Center) have found it difficult to raise private money. Additionally, as an official agency of the USG, The Asia Foundation's ability to continue the private broker role that it plays between Asian and American private institutions (media, business, education, community organizations) might also be impaired.

These are the six major reasons why the Trustees have concluded that the Foundation can best serve the interests of the USG by retaining its private status, but the Trustees favor this status alternative over the public corporation alternative only if the following two minimum conditions can be met:

1. Recognition of the Foundation's special status as a QNGO (quasi-nongovernmental organization)—by definition a private organization created by the Government for the express purpose of serving public interests and supported by public funds. This status which is acknowledged in current legislation (Senate Report 96–738, S. 2727) and by the General Grant Agreement between the State Department and the Foundation (April 7, 1981)

should be formally reaffirmed in some form such as a memorandum-of-understanding as suggested by the Canham Committee. The State Department may have other ideas on this matter.

2. A stable method of public sector funding for the Foundation must be found. Options must be examined and firm decisions made which will provide the Foundation with the security and stability it needs for planning purposes if it is to continue as a private, publicly-supported organization.

The Trustees believe that if these two minimum conditions cannot be reasonably met the Foundation has no future as a publicly-supported private organization. If this is the case, the Trustees in consultation with the Government should then decide on whether to liquidate the organization or to take the necessary steps to introduce legislation to transform the Foundation into a Federal corporation.

VI. The Need for a Stable Method of Funding the Foundation: Funding Options

If a substantive policy decision is made that American interests in Asia would be best served by the Foundation retaining its private status, then the issue of how the Foundation is to be funded by the USG becomes the next important question. This is an internal USG administrative matter involving policies and procedures relating to the budgetary process and how future requests to the Congress for funds for TAF would be handled by the Executive Branch. These are issues which only the Administration can answer.

Among the several funding options that have been considered the Trustees would like to discuss the two which they believe are most feasible and desirable. They are in brief: Continued funding via a general grant from the Department of State, or via a new Federal entity created by the specific purpose of funding The Asia Foundation.

The State Department Option is the Trustees' first choice for a number of reasons. First, a General Grant Agreement between the Department of State and The Asia Foundation is already in effect and is working well. Second, the State-TAF Agreement can be extended from year to year by simple amendment. Third, the compatibility of interests and the established working relationships between State and TAF in Washington and in the field make this option the most logical one. Fourth, operating under this option the Foundation can be of greatest utility to the furtherance of its mission and the interests of the Department, and fifth, the Congress has already shown a preference for funding the Foundation out of the Foreign Relations Bill via a grant from the Department of State over other funding options.

The Trustees recognize as they have in the past that the Department of State cannot be expected to fund the Foundation at the expense of its own operational and administrative needs. The Congress has also recognized this, and its action last year and again this year was not to take funds *away* from State but to *add* funds to the State budget. Leaders of Congress have repeatedly expressed the view, and their actions have confirmed the fact, that the Congress is willing to consider the Foundation's financial requirements as being distinct and separate from the Department of State's own budgetary needs and to fund TAF accordingly.

Consultations with the Congress indicate that in the future the Senate Foreign Relations Committee and the House Foreign Affairs Committee would receive willingly a request from the Administration for funds for the Foundation as a separate line-item in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act and that any funds authorized and appropriated for TAF would be considered to be over and above those funds authorized and appropriated for the Department of State (Title I).

For this option to work the Foundation would have to be assured that it would be included as a separate budget item in the President's annual budget request to the Congress. The question is who reviews the Foundation's budget submission and who makes the request that the Foundation be included in the President's budget. It would seem logical that the review should be conducted by State and that State should present and defend the TAF budget before OMB and the Congress. But in this process State should not be forced to rank the Foundation against its own operating requirements (salaries, housing, representation, travel, security, dues to international organizations, etc.) but should rather be asked for a judgment on the strict merits of the Foundation's case on foreign policy grounds and on the value of the Foundation's substantive work in Asia to USG interests and its cost effectiveness compared with AID, ICA, UNESCO, UNDP and other bilateral and multilateral programs in Asia supported by the U.S. tax dollar (with the United States receiving in return only minimum identification and little if any direct credit for programs supported by its contributions to the multilateral agencies).

If the State funding option which is currently in force were to be adopted for the future, to make certain that State would not be forced to make off-setting reductions in its own budget in order to accommodate the Foundation in the future, a decision by the Administration directing OMB to *add a separate mark* for the Foundation in State's initial budget ceiling would be necessary. The final decision on the dollar level of the separate item for the Foundation to be requested in the President's request to the Congress would be based on the State Department's findings and OMB's final review of State's recommendation on the Foundation's budget submission.

In addition to the inclusion of the Foundation in the President's budget, the Department of State's draft language for the Foreign Relations Authorization Act would include multi-year enabling legislation for the Foundation in the Miscellaneous Provisions Title of the Act. Modeled generally on the East-West Center's enabling act, such legislative language would establish TAF as a separate item in the Foreign Relations Act, and would authorize the Secretary of State to provide support for TAF on an open-ended basis. The legislative language would indicate that the funds being requested are to be considered separate from and in addition to those funds being requested under Title I of the Act.

The draft would also include language similar to that found in the FY 1981 Authorization Act to the effect that the funds authorized for the Foundation would be made available to it in accordance with the terms of a general grant agreement between the Department of State and the Foundation. This option would not preclude the Foundation receiving in addition, grants from AID, ICA, the Depart-

ment of Commerce and other USG agencies with full reimbursement of costs of specific projects and services of special interest to those agencies.

The New Federal Entity Option. Legislation would be introduced establishing a new Federal entity which might be called the "Joint Commission for The Asia Fund (or The Asia Foundation)" which would have as its specific purpose the funding of The Asia Foundation. This concept has merit since it would allow the Foundation to retain its private legal status and character. It would also allow the Foundation to be considered for its own value, independent of the Department of State's own budgetary needs. This option could also provide the Foundation with greater financial stability than it has had at any time since 1967.

The Joint Commission would report directly to Congress. Its members, five in number, could be composed of one Senator appointed by the President Pro Tem of the Senate, one Congressman appointed by the Speaker, two representatives from the State Department appointed by the Secretary of State (most probably the EA and NEA Assistant Secretaries) and the Chairman of the Board of TAF. The Commission members would elect their own chairman.

This new Commission would be brought into being by an enabling act as a new and separate title, or as a new section in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act. The legislation would specifically set forth the new Commission's functions: (a) to present and defend to OMB the Commission's annual budget request (TAF's budget in reality) for inclusion in the President's annual budget submission; (b) to testify before Congress in defense of the budget; (c) to make available to the Foundation the funds authorized and appropriated by Congress; (d) to submit periodic reports to Congress on the Foundation as called for by the enabling legislation; and (e) to cause the Foundation to be audited and to assure the Foundation's accountability for public funds entrusted to it.

A grant agreement between the Commission and the Foundation Trustees would spell out the relationship between the two bodies. Foreign policy guidance would come to the Foundation Trustees and staff through the State Department.

It would be possible to establish the Commission without any separate staff or administrative budget—or at most a very modest amount for meetings and travel. Staff responsibilities could be delegated to State Department officers and/or staff of the Foundation itself.

There are other funding options which might be considered. They include:

—Funding through ICA with the Foundation being a separate line-item in the ICA budget request and having its own enabling legislation.

—Returning the Foundation to AID, with TAF being a separate line item in the Foreign Assistance legislation.

—A Shared Responsibility Option: With State, ICA and AID each given an assigned level for general or specific support grants to the Foundation out of their own annual general appropriations.

—The oft mentioned "Umbrella Option" whereby a new Federal mechanism, a council or commission or endowment, would come into being for the purpose of funding those private American organizations engaged in international activities deemed to be in the public interest.

The Foundation is prepared to discuss these additional funding options and others which the Department of State might suggest. It believes, however, that first consideration should be given the State and the New Federal Entity options. Of these two the Trustees give first preference to the State option for the reasons on page 36 of this paper. However, the Trustees recognize that the State option, which offers so many advantages, will not work to the satisfaction of the Department of State or The Asia Foundation in the absence of a high level decision by the Reagan Administration specifying that the Foundation in the future is to be included in the President's budget request as a separate line item, and that the funds requested are to be considered as an add-on to the Foreign Relations Authorization budget request and not as part of the State Department's general budget. To protect both the Department of State and the Foundation such a decision would need to be communicated in a clear and unequivocal way to OMB and others concerned with TAF and the Administration's budgetary process.

VI. Conclusions and Recommendations

The Trustees of The Asia Foundation offer the views stated in this paper in a spirit of cooperation and in the hope that further discussions will lead to a lasting resolution of the Foundation's basic problems of status and funding. Over the years the Trustees have struggled with these problems, as part of their public service to their country, and have come to some definite conclusions:

1. That as a result of experience and reputation built up over 30 years the Foundation is today potentially more valuable than ever, and both ready and willing to continue to perform distinctive services directly relevant to vital U.S. interests in Asia. (The Trustees recognize, however, that the final decision on this point will have to be made at high levels of the U.S. Government.)

2. That the Foundation cannot continue to perform this role unless solutions to the problems of funding and status can be found that are satisfactory to Congress, to the Administration, and to the Foundation itself.

3. That the relationship between the U.S. Government and the Foundation ought to be formalized in a Memorandum of Understanding or some other appropriate way.

4. That the responsibility for policy toward the Foundation ought to be clearly centralized with the U.S. Government.

Guided by what they believe to be the best interest of the United States, not just that of the Foundation, the Trustees make the following principal recommendations:

1. That the Foundation should remain a private organization, in order to serve the purposes for which it was created.

2. That at the same time its quasi-nongovernmental status and its need for sustained Federal funding explicitly recognized.

3. That among the options available for funding a general grant through the Department of State is preferable, provided that such funds are considered to be separate and over and above State's own general budget.

4. That the Congress should be asked to pass multi-year enabling legislation authorizing funding for the Foundation as a continuing separate line item in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act.

5. That the level of annual Federal support for the Foundation should be sufficient to enable the Foundation to carry out its purposes in a cost efficient manner and to allow it to operate and to compete more effectively in its efforts to further American interests in Asia.

These conclusions and recommendations have been carefully considered, but the Trustees remain open to alternative solutions that the Department of State may wish to suggest during the discussions that lie ahead.

APPENDIX B

DEPARTMENT OF STATE,
Washington, D.C., August 5, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate.

DEAR MR. CHAIRMAN: In response to the request for recommendations on the future of The Asia Foundation in Committee Report No. 97–71, the Department of State conducted an extensive study of the Foundation. In addition to reviewing existing reports such as the Canham Committee's extensive study, the Department sought the views of American Ambassadors, AID Mission Directors and ICA officers in the countries where The Asia Foundation has programs, and also persons in Washington well acquainted with the Foundation's work. The general view was that The Asia Foundation has made significant contributions to U.S. foreign policy objectives through helping strengthen Asian institutions which promote stable political development, constructive social change, equitable economic growth and cooperative international relationships. In particular, The Asia Foundation has furthered the goals and objectives of the United States human rights policies through fostering democratic institutions, strengthening the rule of law, and improving the administration of justice and access to the courts. Although created by the USG to serve public purposes, The Asia Foundation, as a private organization, has been able to accomplish many things which a government organization could not do. From service contracts with United States Government agencies and private organizations, and cash and other countributions (particularly books), the Foundation obtains additional resources approximately equal to the core grant. However, under present circumstances these resources from the private sector are a supplement to, not a substitute for, the United States Government grant, without which The Asia Foundation would not be able to continue functioning.

Notwithstanding the value of The Asia Foundation's contributions, the Administration has decided not to request funds for The Asia Foundation for fiscal year 1983 because of budget stringencies and the relatively lower priority of The Asia Foundation's claim on resources within the Department of State's budget. The programs and operations for which the Department is requesting funding for fiscal year 1983 reflect only those amounts needed to meet fundamental requirements and must take precedence over those of The Asia Foundation.

The Department of State had the complete cooperation of The Asia Foundation in working on the report; however, the report itself has not met with the approval of the trustees of The Asia Foundation, who will be sending their views separately to the Congress.

With cordial regards,

Sincerely,

POWELL A. MOORE,
Assistant Secretary for Congressional Relations.

THE ASIA FOUNDATION,
San Francisco, Calif., August 9, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Trustees welcomed the call by the Congress for a recommendation on the future of the Foundation to be prepared by the Department of State in coordination with the Trustees. The State Department has now informed the Board that if it wishes to make its views known it should do so directly to your Committee. The attached Report, summarized below, is in response to this invitation.

The Board was pleased with the principal findings of the State Department's March 11 Report to the Congress. The Trustees were especially gratified with the Department's findings that the Foundation serves as "a vital auxiliary to official foreign policy programs" . . . and that it promotes and furthers American interests in Asia in ways that could not be as "effectively or appropriately" carried out by the Government, and that finally, "the Foundation's established reputation, solid expertise and extensive network of contacts throughout the region are irreplaceable assets and that they should be preserved."

The State Department concluded that the Foundation's "continued existence is unquestionably in the national interest . . . and that the primary present requirement is to establish a permanent structure" for the continuing federal funding of the organization. To this end the Department recommended in March 1982 that "legislation providing an on-going basis for grant support for the Foundation through the Secretary of State be adopted by the Congress as a separate section in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act." The Trustees concurred in this recommendation.

It is the Board's understanding that OMB rejected this recommendation and State's March 11 Report to the Congress on the grounds that funding for the Foundation had to be at the expense of State's own budget. State's position was that the Foundation is a separate and distinct entity and that funds for the Foundation should therefore be separate and additional to State's regular operating budget. This difference of view has been the source of the Foundation's funding difficulties over the past three years and the Foundation has survived this difficult period only because of the intervention and timely action of the Congress.

The Foundation cannot function effectively or plan ahead without some reasonable sense of year-to-year financial security. Created by the USG with the understanding that it would be sustained by the Government, the Foundation cannot continue without basic financial core support from the public sector. If assured of such support the level of supplementary cash and in-kind support from the private sector in the United States and Asia can be significantly increased.

What is needed is a long-term solution. The Trustees therefore hope that the Congress, after examining the merits of the matter, will enact a five-year authorization with the specified level of funding being adequate to meet the Foundations basic need for core support and program funds. A final resolution of this issue would not only serve the

basic purpose of stabilizing the Foundation but would, more importantly, reaffirm the Foundation's basic mission and maximize its future usefulness in the pursuit of American interests in Asia in the critical years ahead.

In closing the Trustees wish to thank the Department of State for the thorough consideration it gave to the Foundation's situation, the alternatives and the need for a solution. The Department's findings and conclusions on the need for and value of the Foundation to the national interest have served to reinforce the Trustees' commitment to the Organization's purposes and continuance. In this effort of the Foundation's future, the Trustees offer the Congress their full cooperation.

Sincerely,

CHARLES J. HITCH,
Chairman, Government Relations Committee.
RUDOLPH A. PETERSON,
Chairman of the Board of Trustees.
HAYDN WILLIAMS,
President.

Enclosure.

A REPORT TO THE CONGRESS OF THE UNITED STATES BY THE TRUSTEES OF THE ASIA FOUNDATION

The Senate Foreign Relations Committee Report No. 97–71 of May 15, 1981, requested a recommendation on the future of The Asia Foundation, to be prepared by the Department of State in coordination with the Trustees of The Asia Foundation. Later the Senate Appropriations Sub-Committee for State, Justice, Commerce, the Judiciary and Related Agencies on October 30, 1981, Report No. 97–265, joined the Foreign Relations Committee in this request. The members of the Board of Trustees welcomed the call by the Congress for a review of the Foundation, and after having been given an opportunity to present and discuss their views with the Deputy Secretary of State the Board fully concurred in the State Department's conclusions and recommendations contained in its March 11, 1982 report to the Congress. This Report was rejected by OMB, as was the revised State Department Report which included the Trustees' comments as an attachment. The Trustees were subsequently informed by the Department of State that if the Board wished to make its views known, it should do so directly to the Congress. Hence this Report.

First, the Trustees would like to acknowledge and record their appreciation to the Congress for its interest and its support of The Asia Foundation, particularly over the past three years. Recent Congressional initiatives have preserved the organization and have given the Administration time to reassess the Foundation's value and to seek a solution to its annual funding dilemma. It is the Board's hope, since the Foundation has again been found deserving, that the Congress, with the help of the Executive Branch, will be able to find a way to put the Foundation on a more secure financial basis. If such an objective is realized the Board is convinced that the Foundation's value and its contributions to our country's interests in Asia will be greatly enhanced.

In responding to the Congress' request for a fresh look at the Foundation, the Trustees posed three questions to the State Department which the Board felt were the basic critical issues. First, is there a continuing need for The Asia Foundation in terms of American foreign policy interests in Asia today? The Trustees took the position that there was nothing sacrosanct about the Foundation—that it was created for one purpose alone, to serve American interests in Asia—and that its continuance should be based solely on a deliberate determination by the USG that there was an important enough continuing role for the Foundation to justify on-going federal support. Otherwise the Foundation should be dissolved.

The second question posed by the Trustees concerned the Foundation's status. Should the Foundation be preserved as a private organization supported by both public and private funds, or should the Foundation be converted into a public corporation like the Inter-American Foundation? Pros and cons were weighed. The Trustees for a number of reasons concluded that the Foundation could better serve American interests in Asia by remaining private, and they were joined in this conclusion by the Department of State.

The third question and subquestions are the ones that have remained unanswered for many years. How should the Foundation be funded? What Government Department or Agency should have the responsibility for the Foundation? Where does the Foundation fit into the Federal budget?

The problem goes back to the mid-sixties when decisions were made to fund the Foundation temporarily through annual grants from the Department of State (CU) and AID until new permanent arrangements were established. This decision was in keeping with a recommendation by a Presidential Committee in 1967 that the Government should promptly develop a "mechanism to provide public funds for overseas activities of organizations which are adjudged deserving in the national interest of public support." But no such mechanism was ever established and the Foundation has been forced to live year to year on the basis of uncertain ad hoc funding decisions, erratic up-and-down funding levels and with the responsibility for the Foundation within the USG being unclear, divided and passed back and forth between State, AID and ICA.

This unsatisfactory situation forced the Trustees formally to ask the USG in 1975 to review the whole matter and to arrive at a new determination as to whether the Government wanted the Foundation to continue. The Government responded by appointing an independent panel of private American citizens to review and evaluate the Foundation's record, the need for the organization and its potential for future service to the national interest. This panel was chaired by Edwin Canham, then editor emeritus of The Christian Science Monitor. The panel's findings submited in 1976 were:

"The Asia Foundation is an effective instrument for the furthering of United States interests in Asia. It is well managed, has a body of competent and experienced personnel, is widely established and well-regarded in Asia, and has demonstrated the ability to use a limited amount of money to reach a wide range of individuals and institutions beyond the reach of official U.S. representatives and programs. The Foundation has shown itself to be sensitive and responsive to local

needs and priorities, and is innovative and expeditious in the administration of the small projects which largely compose its program. By its example and by the projects it supports, it is an effective proponent of pluralism and democratic social and political values. It makes efficient use of the USG funds which provide most of its financing. In brief, the Panel has concluded that the policy of providing government funds to this privately managed foundation is wise and sound, fully justified by law and should be continued."

The Canham Committee recommendations, calling for a regularization of the Foundation's status, a clarification of responsibilities for the Foundation within the USG and a more stable multi-year method of funding, were not acted upon by the outgoing Ford or by the incoming Carter Administration. The latter after conducting its own review concluded that the Foundation should continue to be funded "given its valuable contributions to U.S. foreign policy objectives in Asia," but responsibility for the Foundation continued to be unclear and funding levels erratic and unpredictable.

The Foundation's most recent funding problems stemmed from a decision taken in 1979 by OMB asking the Department of State to take over from AID the responsibility for providing the Foundation with its annual grant (core support). AID had recommended this action with the prior approval of the Geographic Bureaus in State because AID's Congressional Mandate and AID's "poorest of the poor" strategy did not permit the Foundation to carry out some of its more traditional leadership and institution building programs. AID legislation also prohibited the Foundation from using AID funds for projects in non-AID countries where the Foundation had active programs (Korea, Japan, Taiwan, Hong Kong, Malaysia, Singapore and The People's Republic of China).

At the time of this decision by OMB, the State Department made it clear ". . . that funding for the Foundation would have to be additive to the Department's budget ceiling since it (the OMB action) effectively represented a transfer of budget authority from AID and it could not reasonably be expected that the Department eliminate existing functions in order to implement the transfer." With the State Department assuming the core funding responsibility for the Foundation, it was AID's and State's understanding that the State budget would be increased while AID's would be decreased by the amount of funds that had been set aside in the budget for The Asia Foundation.

OMB however refused to add funds to State's budget to accommodate this transfer of authority, directing State instead to make offsetting reductions in its own operating budget if it wanted to include the Foundation in its budget request to the Congress. The State Department appealed this decision for FY 1981, again for 1982, and for a third time for FY 1983. In each instance these appeals were denied, and as a consequence the Foundation was left out of the Administration's budget requests to the Congress in each of these years.

The Foundation has survived only because of the timely action of the Congress. If it had not been for Congressional amendments adding general grant funds for the Foundation to the FY 1981 and FY 1982 Foreign Relations Authorization and Appropriation Bills, the Foundation would have been forced by this time into liquidation as a result of an internal USG organizational-administrative-budgetary

process dispute and not because of any known substantive disagreement over the worth, the performance or the need for the Foundation to be preserved in the national interest.

With respect to the future and the basic question of whether there was a continuing need for the Foundation, support for the Foundation from all quarters of the American foreign policy community was evidenced in the Department of State's Report to the Congress which was submitted to OMB for clearance last March. The Department said that the Report's conclusions had been reached "after seeking anew" the "views of American Ambassadors, AID Mission Directors and ICA Officers in Asia . . . as to the value of the Foundation." In brief, the Department found that the Foundation's commitment to strengthening Asian indigenous institutions which promote stable political development, constructive social change, equitable economic growth and cooperative international relationships is fully consistent with and supportive of U.S. foreign policy objectives in Asia. The Report went on to say:

"More particularly, it was found that TAF has directly furthered the goals and objectives of the USG's human rights policies through its long continuing work in fostering democratic institutions, strengthening the rule of law, improving the administration of justice and access to the courts. As a low-key proponent of democratic ideals and institutions in Asia, TAF has been and continues to be a major supporter of indigenous efforts which have the acquiescence of Asian host governments. TAF's positive approach toward encouraging civil liberties and promoting political freedom is a distinctive and valued asset to USG official efforts, accomplishing as a private organization what a government could not do."

The Report stated further that its review had "identified several significant points" about the Foundation which the Trustees believe are worth repeating for a better understanding of the Foundation's situation. These points taken from the Department's March 11 Report are:

First: The Asia Foundation is not just another private voluntary organization. "Rather, it is an organization called into existence by the Government to serve broad foreign policy objectives of the United States" . . . in Asia and ". . . it has remained in existence . . . at the explicit, reiterated request of the United States Government under several administrations"

Second: "The Foundation's less than official character suits perfectly the Asian proclivity for dealing in delicate matters through independent agents but ones of proven reliability." In its "informal and unofficial" role, the Foundation serves as "a vital auxiliary to official foreign policy programs and activities" and it promotes American interests in ways that could not be as "effectively or appropriately" carried out by the officials arms of the USG.

Third: "The Asian Foundation is by now a familiar and respected fixture in overall American relations with Asian countries. This is demonstrated by the Foundation's acceptability in many countries and by the esteem in which it is held by governments and the peoples of the countries with which the Foundation has status agreements."

Fourth: "The Foundation has demonstrated steady success in attracting supplementary private sector support for its programs." With cash and in-kind contributions taken together, the Foundation

can bring to bear resources approximately equal in amount to the support received from the United States Government."

Fifth: "Termination of the Foundation's activities . . . would . . . destroy a valuable asset built up over 30 years at a cumulative cost to the Government of over $200 million." "Further it would send an adverse political signal from our country throughout Asia and would abandon the considerable advantages the Foundation's established presence represents, and would signify an unwillingness on the part of the Government to continue encouraging precisely the kind of private sector partnership in American foreign relations which the Foundation has pioneered and fostered."

Sixth: "The question of the future of The Asia Foundation is not brought on by either lack of accomplishment or inappropriateness of the organization to the attainment of United States foreign policy goals." To the contrary the Foundation "continues to be a suitable vehicle" for the "promotion of shared objectives," and ". . . the Department believes that the Foundation's established reputation, solid expertise and extensive network of established contacts throughout the region are irreplaceable assets and that they should be preserved."

In approaching its conclusions the State Department took the position that the Foundation's assets and the benefits it offered the USG:

". . . cannot be preserved under conditions of an uncertain, frequently shifting relationship to the United States Government, the originator and single most prominent sponsor of the Foundation. The conditions which lead to this uncertainty must, instead, be rectified in order that the Foundation may more fully achieve its purposes."

"Therefore, our firm conclusions are that the Foundation has a future, that its continued existence is unquestionably in the national interest, that the continuation of public support for its general operations is the essential ingredient of that continuation, and that the primary present requirement is to establish a permanent structure for providing that support."

In considering the need to establish a "permanent structure" for providing the Foundation with annual support, a number of alternatives were examined by the Department of State and the Trustees. Included were funding the Foundation out of the ICA or AID budgets or both, converting the Foundation into a public corporation like the Inter-American Foundation, or establishing a new federal entity like the Board of [Sic] International Broadcasting to serve as a mechanism for funding the Foundation. After weighing and discussing the alternatives, ICA and AID joined the East Asian and Pacific, Near Eastern and South Asian and the Human Rights and Humanitarian Affairs Bureaus in State in recommending that the Administration seek special authority from the Congress for separate earmarked annual appropriations to be channeled to the Foundation through the Department of State. The Trustees concurred in this recommendation and it was approved on December 1, 1981 by the Deputy Secretary of State. This approval action formed the basis for the recommendations in the March 11 Report to the Congress. These recommendations were:

"1. That the USG continue to provide The Asia Foundation, a private organization serving public purposes, with annual basic financial support sufficient to enable it to carry out its purposes in a cost-efficient manner."

"2. That funds for the Foundation be considered separate from and in addition to the funds made available to the Department of State for its own operations and budgetary needs."

"3. That legislation providing an on-going basis for grant support for the Foundation through the Secretary of State be adopted by the Congress as a separate section in the Miscellaneous Provisions Title of the FY 1983 Foreign Relations Authorization Act."

The Trustees were disappointed with OMB's rejection of the State Report and the above recommendations. The long-standing impasse has not been broken. OMB continues to insist that funding must come out of State's operating budget, with State continuing to maintain that the Foundation is a separate and distinct entity, that its activities while valuable, do not substitute for the Department's official functions and that funds for the Foundation should therefore be separate from and additional to State's regular budget. State believes, and the Trustees agree, that the Department should not be forced to reduce foreign service salaries or cut overseas posts and building maintenance costs, travel, embassy security and State's general operating expenses in order to make room for the Foundation.

Every effort on State's part to have its ceiling raised to accommodate the Foundation has failed, with OMB insisting in the name of budget discipline that the Foundation as a new item compete for the core support it needs for survival against the regular State Department budget items, many of which are fixed by law. The Trustees feel that there should be competition for funds but believe that if the Foundation is to be ranked, it should not be against State's legitimate operating expenses, but rather against programs carried on by governmental, multilateral or other private agencies funded by the USG where evaluation and comparisons in terms of value to American foreign policy interests can be more fully and fairly weighed and judged.

The Trustees do not believe that State should be forced to choose between the costs of keeping a consulate or two open or funding the Foundation. The Trustees would be pleased on the other hand if the Foundation's efforts to strengthen democratic institutions and the rule of law in Asia were to be ranked against other programs with similar objectives and funded out of the International Relations 150 Budget account. Further the Trustees would expect that if the Foundation were to be funded "separately and with additional funds" over and above State's operating budget, that in the normal course of events its programs would be reviewed critically and a determination made with respect to the continuing value of the Foundation within the larger perspective and objectives of the International Relations Budget. Under the State Department's proposal of March 11, 1982, this rating would be the responsibility of the Secretary of State.

The Trustees support the Department of State's original recommendation that legislation providing for an on-going basis for annual basic support be adopted by the Congress as a separate section in the Miscellaneous Provisions Title of the Foreign Relations Authorization Act. They do so for a number of reasons. First, this is the arrangement that the Congress adopted for funding the Foundation in FY 1981 and it continues to work successfully. Second, a General Grant Agreement between the Department of State and the Foundation called for by the FY 1981 legislation has been negotiated and is in

effect. It can be extended from year to year by simple amendment. Third, there is an already established pattern of working relationships between the Department of State and the Foundation in Washington and in Asia, and the basic compatibility of interests that exists gives the Foundation the flexibility it needs to most effectively pursue common objectives.

The Foundation desperately needs what it does not now have: namely, a stable financial basis which will allow it to plan ahead with some reasonable sense of security. A year to year existence makes it difficult to address long-range needs and opportunities in Asia of continuing interest to the United States. Recruiting and holding a high quality professional staff is also a problem when the future is uncertain. Prospective private sector partners and donors also are reluctant to contribute to the support of a Foundation whose status and survivability is in constant question.

For all of these reasons the Trustees firmly believe that if the Government wants the Foundation to continue, a more secure long-term method for providing it with its core support must be found. The Board believes that this objective could be attained by a Congressional multi-year authorization. The precedent of the Inter-American Foundation could be followed, with similar enabling legislation authorizing a certain level of funding for The Asia Foundation for five years. A five-year authorization was recommended by the Canham Committee as the best means of giving the Foundation the security it needed. Also the Department of State has concluded that the primary present requirement is to establish a permanent basis for providing the Foundation with on-going annual support if its assets and benefits are to be preserved. The Board therefore urges the Congress to address and resolve this matter which is of crucial importance to future planning and the effectiveness of the organization.

Another question that needs examination is the Foundation's level of funding. Federal support for the Foundation is far, far, below what it was several years ago and its core support grant has not been increased in the past three years even to compensate for inflation. At the same time the Foundation, responding to requests from the USG, has expanded the geographic scope of its operations in Asia and in the Pacific without any corresponding increase in funds from the USG. As a result the Foundation is now in a far less favorable position, budget-wise, than it was a few years ago to respond to new opportunities of special interest to the United States in Asia. In its report to the Secretary of State, the Canham Committee found that the Foundation was badly under-funded and under-utilized. The Board believes that the level of annual federal support for the Foundation, as the lone American foundation in most of the countries of Asia, should be sufficient to enable the Foundation to carry out its purposes in a cost efficient manner and to allow it to compete more effectively in the furtherance of its basic mission of service to American interests in Asia. The Trustees believe that this is another priority matter that should be looked into by the Congress.

The Trustees offer these views to the Congress in a spirit of cooperation and with the hope that a lasting solution can be found to the Foundation's basic funding problem. The Trustees wish to make it clear that despite the Foundation's funding uncertainties, the action

of Congress has enabled it to carry on, and the Foundation's presence and position in Asia has been in fact growing in strength as has its program momentum. The Foundation's coverage of Asia is today far more extensive than any other American foundation, and it currently has underway programs totalling some several million dollars in grants funded by other Departments and Agencies of the USG and the private sector—all made possible by the Congressionally approved basic core grant which is the Foundation's lifeblood and without which it could not survive.

Asia, the most populous area of the world, is of immense and growing economic, political and strategic importance to the United States. The future course of Asia's development in the remaining years of this century will have a direct and significant impact on American interests at home, in the Pacific, in Asia and throughout the world. The Trustees believe that the gradual strengthening of democratic institutions in Asia, greater popular participation in government, a more equitable sharing of the benefits of modernization, along with greater individual freedom and opportunity, contribute to internal stability and to the strength and national unity of America's friends and allies in Asia. This kind of non-violent progressive change is clearly in the American national interest.

The Foundation is in an ideal position to encourage and respond to Asian initiatives that are moving in these directions. Keeping in mind Asian cultural traditions, values and sensitivities, the Trustees informed the State Department last fall that the Foundation would like to concentrate more of its efforts on strengthening the "infrastructure of freedom" in Asia: responsible and responsive governmental institutions, greater participatory democracy through free elections, and legal systems that engender a respect for the rule of law and that provide the basis for the equitable administration of justice. The freedom of thought and expression that flow from an independent press, the free university, and the private business and voluntary sectors in free societies would also continue to be encouraged. The Foundation can and is willing to compete with anti-democratic forces in the marketplace of ideas. Given its deeply planted roots and acceptability, it has the capacity to work with important Asians in and out of government, who come to the Foundation for help as they strive in their own way to strengthen the forces and institutions of freedom and democracy in their countries as a bulwark against totalitarianism of the extreme left and the right.

With a stable base of public sector support the Foundation can take advantage of these "windows of opportunity" as they open and before they close. It can also direct more of its time and effort to strengthening and expanding the American private sector's support of the Foundation's activities. Increasing contributions from Asian sources would also be sought as a priority matter. If assured of basic financial support from the USG, the Trustees, staff and friends of the Foundation can and will redouble their private fund-raising efforts, and the level of supplementary financial support for the Foundation's activities from non-U.S. Government sources can undoubtedly be increased.

In conclusion, the Trustees are convinced that the Foundation today is potentially more valuable than ever. The Foundation is in place and is ready and willing to continue to seek ways to serve objec-

tives in Asia of value and benefit to Asians and of special interest to the USG. The Board is also convinced that, once destroyed, the Foundation's assets would be difficult if not impossible to replace. To recruit a new professional staff, to negotiate new status agreements, to set down new roots, to gain new acceptance and trust, would take time, would be costly, and might not be politically feasible in the Asia of today.

The Trustees are therefore grateful to the Congress for bringing the question of the future of the Foundation to a head. It is the Board's hope that after examining the merits of the matter, the Congress will enact a five-year authorization with the level of funding specified being adequate to meet the Foundation's basic need for annual core support and program funds. A final resolution of this issue would not only serve the basic purpose of stabilizing the Foundation but would, more importantly, reaffirm the Foundation's basic mission and maximize its future usefulness in the pursuit of American interests in Asia and the Pacific in the critical years ahead.

In closing this Report to the Congress the Trustees wish to record their appreciation to the Department of State, particularly to the East Asian and Pacific, the Near Eastern and South Asian and the Human Rights and Humanitarian Assistance Bureaus, for the thorough consideration given the Foundation's situation, the alternatives and the need for a solution. The Department's finding and conclusions on the need for and the value of the Foundation to the national interest, as set forth in its March 11, 1982 Report to the Congress, served to reinforce the Trustees' commitment to the purposes of the organization and to its continuation. In this effort and in the search for a lasting solution to the question of the Foundation's future, the Trustees offer the Congress their full cooperation.

Charles J. Hitch, Chairman, Government Relations Committee; Rudolph A. Peterson, Chairman of the Board of Trustees; Haydn Williams, President; Barry Bingham, Sr., Ellsworth Bunker, Richard P. Cooley, Mrs. John Sherman Cooper, Herbert C. Cornuelle, R. G. Follis, Philip C. Habib, Caryl P. Haskins, Stuart T. K. Ho, Ernest M. Howell, Mrs. John N. Irwin II, George F. Jewett, Jr., Robert Huntington Knight, Turner H. McBaine, George C. McGhee, Mrs. Maurice T. Moore, Jiro Murase George R. Packard, Lucian W. Pye, Madeleine Haas Russell, Russell G. Smith, Brayton Wilbur, Jr.

Approved: Board of Trustees Meeting July 26, 1982, San Francisco, California.

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